

8 November 2021

At 2.00 pm

**Corporate, Finance, Properties and  
Tenders Committee**

**Agenda**

- 1. Disclosures of Interest**
- 2. 2021/22 Quarter 1 Review - Delivery Program 2017-2021**
- 3. Public Presentation of the 2020/21 Financial Statements and Audit Reports to Council**
- 4. Investments Held as at 31 October 2021**
- 5. Land Classification - Part 15 O'Riordan Street, Alexandria**
- 6. Land Classification - Various Properties- Transport for NSW Light Rail Land Transfers to the City**
- 7. Land Classification (Confidential)**
- 8. Part Closure and Sale - Jones Street, Pyrmont**

## Disclaimer, Terms and Guidelines for Speakers at Council Committees

As part of our democratic process, the City invites members of the community to speak directly to Councillors during Committee meetings about items on the agenda.

### Webcast

In accordance with the *City of Sydney Code of Meeting Practice*, Committee meetings are recorded and webcast live on the City of Sydney website at [www.cityofsydney.nsw.gov.au](http://www.cityofsydney.nsw.gov.au).

Members of the public attending a council or committee meeting may have their image, voice and personal information (including name and address) recorded, publicly broadcast and archived for up to 12 months.

### Consent

By attending a council or committee meeting, members of the public consent to this use of their image, voice and personal information.

### Disclaimer

Statements made by individuals at a council or committee meeting, and which may be contained in a live stream or recording of the meeting are those of the individuals making them, and not of the City. To be clear, unless set out in a resolution of council, the City does not endorse or support such statements.

The City does not accept any liability for statements made or actions taken by individuals during a Council or Committee meeting that may be contrary to law, including discriminatory, defamatory or offensive comments. Such statements or actions are not protected by privilege and may be the subject of legal proceedings and potential liability, for which the City takes no responsibility.

### Guidelines

To enable the Committee to hear a wide range of views and concerns within the limited time available, we encourage people interested in speaking at Committee to:

1. Register to speak by calling Secretariat on 9265 9310 or emailing [secretariat@cityofsydney.nsw.gov.au](mailto:secretariat@cityofsydney.nsw.gov.au) before 10.00am on the day of the meeting.
2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time.
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.

Committee meetings can continue until very late, particularly when there is a long agenda and a large number of speakers. This impacts on speakers who have to wait until very late, as well as City staff and Councillors who are required to remain focused and alert until very late. At the start of each Committee meeting, the Committee Chair may reorder agenda items so that those items with speakers can be dealt with first.

Committee reports are available at [www.cityofsydney.nsw.gov.au](http://www.cityofsydney.nsw.gov.au)

## **Item 1.**

### **Disclosures of Interest**

Pursuant to the provisions of the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose pecuniary interests in any matter on the agenda for this meeting.

Councillors are also required to disclose any non-pecuniary interests in any matter on the agenda for this meeting.

This will include receipt of reportable political donations over the previous four years.

In both cases, the nature of the interest must be disclosed.



**Item 2.**

**2021/22 Quarter 1 Review and End of Term Report**

Document to Follow

**Item 3.****Public Presentation of the 2020/21 Financial Statements and Audit Reports to Council****File No: X084202****Summary**

This report presents the City of Sydney's Annual Financial Statements for 2020/21, along with the auditor's reports, to the public.

At the Council Meeting on 18 October 2021, Council received the Annual Financial Statements and unmodified Auditor's Reports. Council resolved that notice be given for public presentation of the Statements at the Council Meeting on 15 November 2021. At the time of preparing this report no submissions have been received from the public.

As noted in the 18 October 2021 Council report, the Income Statement for the year ended 30 June 2021 shows a Net Surplus (Net Operating Result) for the year of \$195.6M, in accordance with relevant accounting standards and reporting requirements, against a budget of (\$22.5M). The Statement of Financial Position reports Net Assets of \$12.4B, an decrease of \$1.8B over the year, primarily due to an decrease in asset revaluation reserves associated with the revaluation of a number of land and building asset classes.

The City's external auditor, The Audit Office of New South Wales, addressed the Corporate, Finance, Tenders and Properties Committee on 11 October 2021 and confirmed the City's strong and stable financial position.

**Recommendation**

It is resolved that Council:

- (A) present the 2020/21 Annual Financial Statements and Auditor's Reports to the public;  
and
- (B) adopt the 2020/21 Annual Financial Reports subject to the receipt of any submissions over the ensuing seven day period.

**Attachments**

**Attachment A.** Annual Financial Statements 2020/21 (incorporating Auditor's Reports)

## Background

1. The 2020/21 Annual Financial Statements and the auditor's reports were presented to Council on 18 October 2021.
2. The City's external auditor, The Audit Office of New South Wales, issued an unmodified opinion on the City's Annual Financial Statements for 2020/21.
3. Public notice, via the Sydney Your Say website, commencing on 25 October 2021, was given to advise that the Annual Financial Statements and auditor's reports would be presented to the public at the Council meeting of 15 November 2021 (Corporate, Finance, Properties and Tenders Committee meeting on Monday 8 November 2021).
4. A copy of the Annual Financial Statements incorporating the auditors' reports are provided as Attachment A to this report.
5. The Local Government Act 1993 states that any person may make submissions to the Council in respect to the Annual Financial Statements or auditor's reports. Submissions must be made in writing and submitted to Council within seven days after the date on which the reports are presented to the public. Council must ensure that any submissions are forwarded to the auditor.
6. Effective measurement and monitoring of a range of relevant performance indicators, particularly those related to asset management, remains an ongoing challenge. The City supports the ongoing effort to assess and report each council's financial and asset management sustainability, and will continue to work with the Office of Local Government to refine the definition and appropriate benchmarks set for financial indicators. In the interim, the City has reported all mandatory indicators, and additional (supplementary) indicators where it believes these provide more relevant information for the readers of the financial statements.
7. The City is also continuing to seek to work with the Audit Office and the Office of Local Government to improve financial reporting in the local government sector. For example, there is a need to develop transparent approaches to fixed asset valuation that meet Australian Accounting Standards and are consistently and predictably applied across the sector. Valuation adjustments, which are notional book entries and non-cash in nature, can have a very significant impact on the financial position of a council as has occurred again in 2020/21.

## Key Implications

8. The audited Annual Financial Statements are to be presented to the public at the Council meeting of 15 November 2021.

## Financial Implications

9. The City of Sydney's Income Statement for the year ended 30 June 2021 reports a Net Surplus (Net Operating Result) of \$195.6M against a budget of (\$22.5M), and the Balance Sheet reports Net Assets of \$12.4B, reflecting a strong and stable financial position.

### **Relevant Legislation**

10. Local Government Act 1993, Sections 418 to 420.

### **Critical Dates / Time Frames**

11. As soon as practicable after Council receives a copy of the auditor's reports, it must fix a date and give public notice for the meeting at which it proposes to present its audited financial statements, together with the auditor's reports, to the public.
12. The meeting is being held within the required statutory window of at least seven days after the date of notice, but not more than five weeks after the auditor's reports and opinion are received by Council.

### **Public Consultation**

13. The 2020/21 Annual Financial Statements and auditor's reports were made available for public viewing electronically via Council's website from 25 October 2021, with printed copies made available upon request.
14. At the time of preparing this report no submissions have been received from the public.

### **BILL CARTER**

Chief Financial Officer

# **Attachment A**

**Annual Financial Statements 2020/21  
(incorporating Auditor's Reports)**





# General Purpose Financial Statements

Annual Report  
2020/2021





# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

456 Kent Street  
Sydney NSW 2000

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 B1-2.

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.cityofsydney.nsw.gov.au](http://www.cityofsydney.nsw.gov.au).



# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2021

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

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

- the *Local Government Act 1993* 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 18 October 2021.



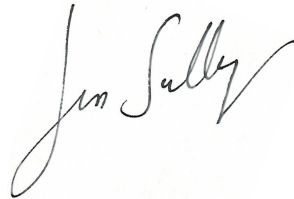
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Clover Moore  
Lord Mayor  
18 October 2021



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Monica Barone  
Chief Executive Officer  
18 October 2021



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Jess Scully  
Councillor  
18 October 2021



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Bill Carter  
Responsible Accounting Officer  
18 October 2021

# Council of the City of Sydney

## Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
<b>2021</b>	<b>\$ '000</b>		Notes	<b>2021</b>	<b>2020</b>
		<b>Income from continuing operations</b>			
372,343		Rates and annual charges	B2-1	<b>369,374</b>	360,527
102,130		User charges and fees	B2-2	<b>106,687</b>	112,374
33,530		Other revenue	B2-3	<b>75,790</b>	60,551
14,166		Grants and contributions provided for operating purposes	B2-4	<b>24,071</b>	15,309
33,108		Grants and contributions provided for capital purposes	B2-4	<b>144,701</b>	86,296
5,817		Interest and investment income	B2-5	<b>5,501</b>	13,880
69,200		Other income	B2-6	<b>100,971</b>	72,172
–		Net gains from the disposal of assets	B4-1	<b>20,740</b>	11,109
630,294		<b>Total income from continuing operations</b>		<b>847,835</b>	732,218
		<b>Expenses from continuing operations</b>			
240,954		Employee benefits and on-costs	B3-1	<b>231,358</b>	251,115
247,538		Materials and services	B3-2	<b>251,715</b>	218,245
–		Borrowing costs	B3-3	<b>254</b>	263
102,903		Depreciation, amortisation and impairment for non-financial assets	B3-4	<b>122,011</b>	116,623
61,398		Other expenses	B3-5	<b>46,871</b>	40,229
652,793		<b>Total expenses from continuing operations</b>		<b>652,209</b>	626,475
<b>(22,499)</b>		<b>Operating result from continuing operations</b>		<b>195,626</b>	105,743
<b>(22,499)</b>		<b>Net operating result for the year attributable to Council</b>		<b>195,626</b>	105,743
<b>(55,605)</b>		<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>50,925</b>	19,447

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

## Council of the City of Sydney

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>195,626</b>	<b>105,743</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<b>(189,338)</b>	830,101
Movement in Trust Assets reserve - Crown land revaluation <sup>1</sup>	G4-3	<b>(1,855,827)</b>	1,248,726
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(2,045,165)</b>	2,078,827
<b>Total comprehensive income for the year attributable to Council</b>		<b>(1,849,539)</b>	2,184,570

(1) Council has updated its valuation methodology in respect of Crown and Community Land, incorporating input from external valuers (previously generalised valuation information from the Valuer General was utilised in valuations of these classes. Note G4-3 details this change in estimates.

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

# Council of the City of Sydney

## Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	51,051	123,436
Investments	C1-2	417,600	335,250
Receivables	C1-4	57,858	53,636
Inventories	C1-5	989	594
Contract assets and contract cost assets	C1-6	17,195	16,326
Other	C1-11	6,997	5,871
Non-current assets classified as 'held for sale'	C1-7	35,599	54,915
<b>Total current assets</b>		<b>587,289</b>	<b>590,028</b>
<b>Non-current assets</b>			
Investments	C1-2	186,604	174,107
Receivables	C1-4	31,248	31,677
Infrastructure, property, plant and equipment	C1-8	11,470,866	13,317,244
Investment property	C1-9	384,259	344,700
Intangible Assets	C1-10	52,550	48,850
Right of use assets	C2-1	12,551	13,361
Other	C1-11	112	126
<b>Total non-current assets</b>		<b>12,138,190</b>	<b>13,930,065</b>
<b>Total assets</b>		<b>12,725,479</b>	<b>14,520,093</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	104,047	93,562
Contract liabilities	C3-2	27,467	9,269
Lease liabilities	C2-1	203	183
Employee benefit provisions	C3-4	63,717	63,218
Provisions	C3-5	9,927	6,895
<b>Total current liabilities</b>		<b>205,361</b>	<b>173,127</b>
<b>Non-current liabilities</b>			
Contract liabilities	C3-2	46,070	23,714
Lease liabilities	C2-1	12,960	13,530
Employee benefit provisions	C3-4	5,104	5,979
Provisions	C3-5	22,578	20,800
<b>Total non-current liabilities</b>		<b>86,712</b>	<b>64,023</b>
<b>Total liabilities</b>		<b>292,073</b>	<b>237,150</b>
<b>Net assets</b>		<b>12,433,406</b>	<b>14,282,943</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	4,192,250	3,996,623
IPPE revaluation reserve	C4-1	5,227,265	5,414,640
Trust Assets Reserve	C4-1	3,013,891	4,871,680
<b>Total equity</b>		<b>12,433,406</b>	<b>14,282,943</b>

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

# Council of the City of Sydney

## Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Trust assets reserve	Total equity
Opening balance at 1 July		3,996,624	5,414,641	4,871,680	14,282,945	3,909,434	4,596,225	3,592,805	12,098,464
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	-	(91)	-	-	(91)
<b>Restated opening balance</b>		<b>3,996,624</b>	<b>5,414,641</b>	<b>4,871,680</b>	<b>14,282,945</b>	<b>3,909,343</b>	<b>4,596,225</b>	<b>3,592,805</b>	<b>12,098,373</b>
Net operating result for the year		195,626	-	-	195,626	105,743	-	-	105,743
<b>Restated net operating result for the period</b>		<b>195,626</b>	<b>-</b>	<b>-</b>	<b>195,626</b>	<b>105,743</b>	<b>-</b>	<b>-</b>	<b>105,743</b>
<b>Other comprehensive income</b>									
Gain (loss) on revaluation of infrastructure, property, plant and equipment <sup>1</sup>	C1-8,G4-3	-	(189,338)	(1,855,827)	(2,045,165)	-	830,101	1,248,726	2,078,827
<b>Other comprehensive income</b>		<b>-</b>	<b>(189,338)</b>	<b>(1,855,827)</b>	<b>(2,045,165)</b>	<b>-</b>	<b>830,101</b>	<b>1,248,726</b>	<b>2,078,827</b>
<b>Total comprehensive income</b>		<b>195,626</b>	<b>(189,338)</b>	<b>(1,855,827)</b>	<b>(1,849,539)</b>	<b>105,743</b>	<b>830,101</b>	<b>1,248,726</b>	<b>2,184,570</b>
Transfers between equity items		-	1,962	(1,962)	-	(18,463)	(11,686)	30,149	-
<b>Closing balance at 30 June</b>		<b>4,192,250</b>	<b>5,227,265</b>	<b>3,013,891</b>	<b>12,433,406</b>	<b>3,996,623</b>	<b>5,414,640</b>	<b>4,871,680</b>	<b>14,282,943</b>

(1) Council has updated its valuation methodology in respect of Crown and Community Land, incorporating input from external valuers (previously generalised valuation information from the Valuer General was utilised in valuations of these classes. Note G4-3 details this change in estimates.

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

# Council of the City of Sydney

## Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget 2021</i>	<i>\$ '000</i>	Notes	<i>Actual 2021</i>	<i>Actual 2020</i>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
372,343	Rates and annual charges		<b>370,105</b>	353,767
101,717	User charges and fees		<b>116,270</b>	118,632
5,817	Investment and interest revenue received		<b>4,662</b>	14,559
45,274	Grants and contributions		<b>87,989</b>	83,394
–	Bonds, deposits and retention amounts received		<b>19,398</b>	10,989
104,232	Other receipts from Operating Activities		<b>148,987</b>	138,810
<b>Payments:</b>				
(240,954)	Employee benefits and on-costs		<b>(230,936)</b>	(248,730)
(241,279)	Materials and services		<b>(308,101)</b>	(190,818)
–	Borrowing costs		<b>(254)</b>	(263)
–	Bonds, deposits and retention amounts refunded		<b>(12,433)</b>	(13,616)
(57,781)	Other payments for Operating Activities		<b>(45,044)</b>	(119,685)
89,369	<b>Net cash provided by (or used in) operating activities</b>	G1-1a	<b>150,643</b>	147,039
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
234,977	Sale/Redemption of investment securities		<b>83,250</b>	57,500
–	Redemption of term deposits		<b>496,000</b>	829,000
157,900	Sale of infrastructure, property, plant and equipment and non-current assets held for sale		<b>101,361</b>	88,439
–	Sale of intangible assets		<b>31,671</b>	–
<b>Payments:</b>				
–	Purchase of investment securities		<b>(17,100)</b>	(21,300)
–	Acquisition of term deposits		<b>(657,000)</b>	(900,740)
(1,120)	Purchase of investment property		<b>(1,207)</b>	(400)
(525,771)	Purchase of infrastructure, property, plant and equipment		<b>(246,606)</b>	(213,825)
(12,299)	Purchase of intangible assets		<b>(13,209)</b>	(13,055)
(146,313)	<b>Net cash flows from investing activities</b>		<b>(222,840)</b>	(174,381)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
–	Principal component of lease payments		<b>(188)</b>	(109)
–	<b>Net cash flows from financing activities</b>		<b>(188)</b>	(109)
(56,944)	<b>Net change in cash and cash equivalents</b>		<b>(72,385)</b>	(27,451)
116,688	Cash and cash equivalents at beginning of year		<b>123,436</b>	150,887
59,744	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>51,051</b>	123,436
246,535	plus: Investments on hand at end of year	C1-2	<b>604,204</b>	509,357
306,279	<b>Total cash, cash equivalents and investments</b>		<b>655,255</b>	632,793

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

# Council of the City of Sydney

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# Council of the City of Sydney

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 18 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and 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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes and are clearly marked in the following:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

These estimates and assumptions include:

- (i) estimated fair values of investment properties – refer Note C1-9
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (iii) estimated former depot remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4.

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

- i. Impairment of receivables – refer Note C1-4 and E1-1-b.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and/or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

## A1-1 Basis of preparation (continued)

### Monies and other assets received by Council

#### The Consolidated Fund

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

The Consolidated Fund consists of cash and other assets associated with general purpose operations only.

#### The Trust Fund

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

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

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

- Sale of Land for Unpaid Rates (residual amounts after outstanding sums recovered)
- Bequests – Trust
- QVB Replacement Fund
- Sydney Metropolitan Mayors Association

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 utilises volunteers in the provision of some services. Whilst the contributions of volunteers are a valued aspect of certain services provided to the community, the financial value of these contributions is not considered material, and furthermore, would not be otherwise purchased. Accordingly, volunteer services are not recognised in these financial statements.

### Covid-19 Pandemic

On 11 March 2020, the World Health Organisation declared Coronavirus (Covid-19) a global pandemic, and its impacts on the health of the Australian community and economy have become acute. In late March 2020, Council resolved to implement a number of economic stimulus and recovery measures, including fees and charges waivers, additional grant and donation expenditure, and potential 'fast tracked' capital works. In addition, Council has sought to apply the *National Code of Conduct for commercial tenancies* in respect of property leases, which incorporates rent waivers and deferrals for eligible tenants.

These statements reflect the continuing financial impact of the Covid-19 pandemic, incorporating the above measures to the extent incurred, along with additional impacts to income resulting from financial hardship. Estimates of expected credit losses in respect of receivables have been updated to reflect impacts on debt collection experienced over the course of the pandemic to date. The market valuations of Council's investment properties likewise reflect rent waivers and deferrals, however to date, there is limited evidence of the pandemic having a substantial impact upon commercial property values. For Infrastructure, Property, Plant and Equipment assets, Council's strategy is chiefly to realise 'value in use' for these assets, and accordingly, no financial impact has been recognised at this time in respect of Covid-19. This position will be continually re-assessed in future accounting periods, and to the extent that any impacts can be reliably estimated, asset values will be adjusted appropriately in these statements at that time.

## A1-1 Basis of preparation (continued)

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 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 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**

#### **AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date**

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

**Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.**

This standard has an effective date for the 30 June 2024 reporting period.

#### **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 - 2020 and Other Amendments**

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

**Council does not expect any material impact from the above amendments.**

This standard has an effective date for the 30 June 2023 reporting period.

### 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 2020:

- AASB 1059 – Service Concession Arrangements: Grantor and associated amendments
- AASB 2018 – 6 Amendments to Australian Accounting Standards – Definition of a business

## A1-1 Basis of preparation (continued)

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- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 – 5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of these standards had a significant impact on Council's financial statements for the year ended 30 June 2021.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Income, expenses and assets - by function/activity

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Functions or activities</b>										
Globally competitive and innovative city	<b>35,430</b>	33,275	<b>43,455</b>	52,649	<b>(8,025)</b>	(19,374)	<b>2,091</b>	5	<b>3,646</b>	2,440
Leading environmental performer	<b>1,944</b>	1,274	<b>83,745</b>	88,832	<b>(81,801)</b>	(87,558)	<b>1,479</b>	2,612	<b>321,546</b>	237,805
Integrated transport for a connected city	<b>84,904</b>	75,995	<b>79,141</b>	75,788	<b>5,763</b>	207	<b>21,469</b>	18,246	<b>1,443,174</b>	987,870
City for walking and cycling	<b>103,820</b>	2,478	<b>2,296</b>	2,247	<b>101,524</b>	231	<b>97,164</b>	24,645	<b>71,948</b>	71,948
Lively and engaging city centre	<b>-</b>	-	<b>1,415</b>	439	<b>(1,415)</b>	(439)	<b>-</b>	-	<b>1,544</b>	2
Resilient and inclusive local communities	<b>52,439</b>	26,195	<b>138,257</b>	132,585	<b>(85,818)</b>	(106,390)	<b>36,072</b>	49,693	<b>6,263,257</b>	6,871,587
Cultural and creative city	<b>1,543</b>	2,099	<b>6,040</b>	7,310	<b>(4,497)</b>	(5,211)	<b>1,321</b>	188	<b>169</b>	61
Housing for a diverse community	<b>-</b>	-	<b>6,131</b>	2,254	<b>(6,131)</b>	(2,254)	<b>-</b>	-	<b>-</b>	-
Sustainable development, renewal and design	<b>18,277</b>	92,269	<b>39,101</b>	44,103	<b>(20,824)</b>	48,166	<b>366</b>	-	<b>8,331</b>	6,871
Implementation through effective governance and partnerships	<b>228,687</b>	177,970	<b>252,628</b>	220,267	<b>(23,941)</b>	(42,297)	<b>1,699</b>	77	<b>4,611,864</b>	6,341,509
General purpose income	<b>320,791</b>	320,663	<b>-</b>	-	<b>320,791</b>	320,663	<b>7,111</b>	6,139	<b>-</b>	-
<b>Total functions and activities</b>	<b>847,835</b>	<b>732,218</b>	<b>652,209</b>	<b>626,474</b>	<b>195,626</b>	<b>105,744</b>	<b>168,772</b>	<b>101,605</b>	<b>12,725,479</b>	<b>14,520,093</b>

## B1-2 Components of functions or activities

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

### Globally competitive and innovative city

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

### Leading environmental performer

Activities comprise ecologically sustainable development including environmental projects and program development, cleansing and waste services, drainage and recycling.

### Integrated transport for a connected city

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

### City for walking and cycling

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

### Lively and engaging city centre

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the City's streets and public spaces.

### Resilient and inclusive local communities

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

### Cultural and creative city

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

### Housing for a diverse community

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

### Sustainable development, renewal and design

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

### Implementation through effective governance and partnerships

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	78,853	74,956
Business	231,003	228,830
Less: pensioner rebates (mandatory)	(416)	(403)
Less: pensioner rebates (Council policy)	(1,795)	(1,775)
<b>Rates levied to ratepayers</b>	<b>307,645</b>	<b>301,608</b>
Pensioner rate subsidies received	363	361
<b>Total ordinary rates</b>	<b>308,008</b>	<b>301,969</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	60,600	57,774
Stormwater management services	2,119	2,077
Less: pensioner rebates (mandatory)	(260)	(247)
Less: pensioner rebates (Council policy)	(1,093)	(1,046)
<b>Annual charges levied</b>	<b>61,366</b>	<b>58,558</b>
<b>Total annual charges</b>	<b>61,366</b>	<b>58,558</b>
<b>Total rates and annual charges</b>	<b>369,374</b>	<b>360,527</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue 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.



## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	2	18,692	16,349
Private works – section 67	2	5,367	5,293
Health inspections	2	209	1,192
<b>Total fees and charges – statutory/regulatory</b>		<b>24,268</b>	<b>22,834</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care	2	1,169	1,260
Advertising space income	2	6,406	7,539
Parking meter income	2	35,179	32,490
Parking station income	2	7,241	7,893
Recreation facilities hire	2	12,607	14,975
Venue hire	2	2,192	4,875
Workzone and filming fees	2	14,016	15,020
Other	2	3,609	5,488
<b>Total fees and charges – other</b>		<b>82,419</b>	<b>89,540</b>
<b>Total user charges and fees</b>		<b>106,687</b>	<b>112,374</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		106,687	112,374
<b>Total user charges and fees</b>		<b>106,687</b>	<b>112,374</b>

### Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service. 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.

**B2-3 Other revenue**

<b>\$ '000</b>	<i>Timing</i>	<b>2021</b>	<b>2020</b>
Award of heritage floor space	2	<b>44,064</b>	20,688
Ex gratia rates	2	<b>694</b>	735
Fines	2	<b>30,272</b>	29,984
Revenue from contractual claims	2	<b>48</b>	7,000
Sponsorship and donations	2	<b>27</b>	199
Other	2	<b>685</b>	1,945
<b>Total other revenue</b>		<b>75,790</b>	<b>60,551</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		<b>75,790</b>	60,551
<b>Total other revenue</b>		<b>75,790</b>	<b>60,551</b>

**Accounting policy for other revenue**

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	5,585	4,776	–	–
Financial assistance – local roads component	2	1,526	1,363	–	–
<b>Amount recognised as income during current year</b>		<b>7,111</b>	<b>6,139</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
Child care	2	2,723	2,502	–	–
Environmental programs	2	517	170	246	70
Library	2	684	654	–	–
Community and recreation		7,303	941	24	–
Transport (other roads and bridges funding)	2	2,762	2,523	14,760	5,048
<b>Previously contributions:</b>					
External contributions to capital projects	2	–	–	715	2,090
Other contributions	2	2,971	2,380	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>16,960</b>	<b>9,170</b>	<b>15,745</b>	<b>7,208</b>
<b>Non-cash contributions</b>					
Land dedications	2	–	–	9,617	21,991
Asset transfers arising from Sydney Light Rail project	2	–	–	78,396	3,950
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>88,013</b>	<b>25,941</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>16,960</b>	<b>9,170</b>	<b>103,758</b>	<b>33,149</b>
<b>Total grants and non-developer contributions</b>		<b>24,071</b>	<b>15,309</b>	<b>103,758</b>	<b>33,149</b>
<b>Comprising:</b>					
– Commonwealth funding		9,448	8,345	6,705	3,175
– State funding		11,652	4,584	8,324	1,943
– Other funding		2,971	2,380	88,729	28,031
		<b>24,071</b>	<b>15,309</b>	<b>103,758</b>	<b>33,149</b>

## Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	1,361	7,632
S 7.11 – contributions towards amenities/services		2	–	–	2,803	19,975
S 61 – fixed development consent levies		2	–	–	18,044	21,134
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>22,208</b>	<b>48,741</b>

## B2-4 Grants and contributions (continued)

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Non-cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	16,616	4,222
S 7.11 – contributions towards amenities/services		2	–	–	2,119	184
<b>Total developer contributions non-cash</b>			–	–	18,735	4,406
<b>Total contributions</b>			–	–	40,943	53,147
<b>Total grants and contributions</b>			24,071	15,309	144,701	86,296
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			5,757	–	–	–
Grants and contributions recognised at a point in time (2)			18,314	15,309	144,701	86,296
<b>Total grants and contributions</b>			24,071	15,309	144,701	86,296

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Grants</b>				
Unspent funds at 1 July	153	102	–	19
<b>Add:</b> Funds received and not recognised as revenue in the current year	2,384	84	898	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(153)	(33)	–	(19)
<b>Unspent funds at 30 June</b>	2,384	153	898	–
<b>Contributions <sup>1</sup></b>				
Unspent cash contributions and future works receivable at 1 July	–	–	130,499	150,468
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	14,462	26,501
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(67,155)	(46,470)
<b>Unspent contributions at 30 June</b>	–	–	77,806	130,499

(1) Council recognises revenue in respect of works in kind contributions where the agreed value of the works is secured via lodgement of a bank guarantee and/or cash security deposit. The delivery of these future works can extend over multiple accounting periods. Upon completion and acceptance of works by Council, the outstanding contribution debtor is cleared, and assets recognised as Infrastructure, Property Plant and Equipment. Works not secured via guarantee or deposit are recognised as revenue upon transfer to Council.

## B2-4 Grants and contributions (continued)

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### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include provision of public events, planting of trees and delivery of training courses for members of the public. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

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

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

#### Other grants and contributions

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

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

**B2-5 Interest and investment income**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	274	348
– Cash and investments	5,230	12,258
<b>Fair value adjustments</b>		
– Recovery of prior year losses – Collateralised Debt Obligations (CDOs)	–	1,260
<b>Amortisation of premiums and discounts</b>		
– Financial assets at amortised cost	(3)	14
<b>Total interest and investment income (losses)</b>	<b>5,501</b>	<b>13,880</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	275	348
General Council cash and investments	2,461	6,299
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	–	934
– Planning agreements/bonus floorspace levy	241	568
Domestic waste management operations	269	543
Stormwater Management Service Charge	–	12
Specific Purpose Unexpended Grants	14	2
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	2,241	5,174
<b>Total interest and investment income</b>	<b>5,501</b>	<b>13,880</b>

**Accounting policy**

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

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

**B2-6 Other income**

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		<b>39,004</b>	5,230
<b>Total fair value increment on investment properties</b>	C1-9	<b>39,004</b>	<b>5,230</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income - investment properties		<b>18,865</b>	16,723
<b>Total Investment properties</b>		<b>18,865</b>	<b>16,723</b>
<b>Other commercial property income</b>			
Lease income from Council properties not classified as Investment Property under AASB 140		<b>33,430</b>	38,012
Lease income relating to variable lease payments not dependent on an index or a rate		<b>9,672</b>	12,207
<b>Total other lease income</b>		<b>43,102</b>	<b>50,219</b>
<b>Total rental income</b>	C2-2	<b>61,967</b>	<b>66,942</b>
<b>Total other income</b>		<b>100,971</b>	<b>72,172</b>

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	185,735	202,383
Travel expenses	68	243
Employee leave entitlements (ELE)	20,290	23,028
Superannuation – defined contribution plans	15,379	15,640
Superannuation – defined benefit plans	3,811	5,820
Workers' compensation insurance	10,363	6,990
Fringe benefit tax (FBT)	480	695
Training costs (other than salaries and wages)	653	1,060
Other	1,019	1,766
<b>Total employee costs</b>	<b>237,798</b>	<b>257,625</b>
Less: capitalised costs	(6,440)	(6,510)
<b>Total employee costs expensed</b>	<b>231,358</b>	<b>251,115</b>
Number of 'full-time equivalent' employees (FTE) at year end	1,738	1,803

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

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



## B3-2 Materials and services

\$ '000	Notes	2021	2020
Advertising		1,519	1,581
Asset maintenance and minor purchases		8,692	8,145
Audit Fees	F2-1	217	212
Bank charges		1,866	1,764
Books and periodicals		114	154
<b>Contractor and consultancy costs:</b>			
– Building and facilities management		41,513	46,662
– City infrastructure management		13,499	12,938
– Consultancies		2,804	4,090
– Parks management		20,447	18,787
– Project costs and minor contracts		22,777	25,221
– Waste disposal, recycling and graffiti removal		36,624	32,980
Computing costs		10,853	7,718
Councillor and Mayoral fees and associated expenses	F1-2	836	801
Event and project costs		5,453	12,895
Insurance		4,122	2,614
Land tax and water rates		1,803	1,778
Parking enforcement – payment to NSW government		2,294	3,484
Property related expenditure - other		1,929	1,905
Postage and couriers		1,226	1,224
Printing and stationery		1,298	1,402
Public domain enhancement contributions		5,243	4,350
Raw materials and consumables		4,593	4,961
Research and development		285	333
Security		2,625	2,535
Storage		657	669
Street lighting		4,244	4,304
Telephone and communications		2,486	2,350
Utilities		4,632	5,081
<b>Legal expenses:</b>			
– Legal expenses: planning and development		944	508
– Legal expenses: other		995	2,335
<b>Lease expenses:</b>			
– Expenses from short-term leases		–	36
– Expenses from leases of low value assets		69	64
– Variable lease expense relating to usage		445	493
Other materials and services		4,116	4,559
Contribution to Transport for NSW – Light Rail CBD to South East <sup>1</sup>		41,100	–
<b>Total materials and services</b>		<b>252,320</b>	<b>218,933</b>
Less: capitalised costs		(605)	(688)
<b>Total materials and services</b>		<b>251,715</b>	<b>218,245</b>

### Accounting policy

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

(1) Under the terms of the Light Rail Development Agreement (the Agreement) between the City of Sydney and the NSW Government, the City provided a \$220M total contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments were made and expenses recognised over a number of financial years, commensurate with agreed project milestones. For the year ended 30 June 2020, the required milestones had not been achieved, but were subsequently agreed between the City, Transport for NSW and the project contractor in July 2020. The final contribution installment (for \$41.1M excluding GST) was paid in August 2020.

### B3-3 Borrowing costs

\$ '000	2021	2020
<b>(i) Interest bearing liability costs</b>		
Interest expense relating to leases	254	263
<b>Total borrowing costs expensed</b>	<b>254</b>	<b>263</b>

#### Accounting policy

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

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

\$ '000	Notes	2021	2020
<b>Infrastructure, Property, Plant and Equipment (IPPE)</b>			
	C1-8		
Plant and equipment		11,800	11,954
Office equipment		3,029	2,661
Furniture and fittings		3,416	3,544
<b>Infrastructure:</b>			
– Buildings – non-specialised		32,552	35,134
– Buildings – specialised		504	487
– Roads		23,671	22,108
– Stormwater drainage		4,242	3,681
– Open space/recreational assets		26,541	22,207
<b>Other assets:</b>			
– Library books		1,254	1,277
– Poles and lighting		7,240	5,901
– Public art / open museum		482	501
<b>Right of use assets</b>	C2-1	448	461
<b>Intangible assets – software (amortisation)</b>	C1-10	6,832	6,707
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>122,011</b>	<b>116,623</b>

#### Accounting policy

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

##### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

**B3-5 Other expenses**

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Impairment of receivables</b>			
Properties and sundry debtors		<b>796</b>	1,365
<b>Total impairment of receivables</b>	C1-4	<b>796</b>	<b>1,365</b>
<b>Other</b>			
Contributions/levies to other levels of government		<b>17,238</b>	14,927
Donations, contributions and assistance to other organisations (Section 356)		<b>28,837</b>	23,937
<b>Total other</b>		<b>46,075</b>	<b>38,864</b>
<b>Total other expenses</b>		<b>46,871</b>	<b>40,229</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		10,146	6,688
Less: carrying amount of property assets sold/written off		(866)	(509)
<b>Gain (or loss) on disposal</b>		<b>9,280</b>	<b>6,179</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-8		
Proceeds from disposal – plant and equipment		732	1,264
Less: carrying amount of plant and equipment assets sold/written off		(1,190)	(389)
<b>Gain (or loss) on disposal</b>		<b>(458)</b>	<b>875</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,844)	(1,786)
<b>Gain (or loss) on disposal</b>		<b>(1,844)</b>	<b>(1,786)</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		83,250	57,500
Less: carrying amount of investments sold/redeemed/matured		(83,250)	(57,500)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of term deposits</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		496,000	829,000
Less: carrying amount of term deposits sold/redeemed/matured		(496,000)	(829,000)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b>			
	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		90,000	87,175
Less: carrying amount of 'held for sale' assets sold/written off		(54,915)	(81,334)
<b>Gain (or loss) on disposal</b>		<b>35,085</b>	<b>5,841</b>
<b>Gain (or loss) on disposal of intangible assets</b>			
	C1-10		
Proceeds from disposal – transferable rights (Heritage Floor Space)		31,671	–
Less: carrying amount of transferable rights sold/written off		(28,698)	–
<b>Gain (or loss) on disposal</b>		<b>2,973</b>	<b>–</b>
<b>Light Rail Project</b>			
Carrying amount of assets demolished in association with Light Rail project		(24,296)	–
<b>Gain (or loss) on disposal</b>		<b>(24,296)</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>20,740</b>	<b>11,109</b>

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Other revenues</b>	<b>33,530</b>	<b>75,790</b>	<b>42,260</b>	<b>126% F</b>
Other revenues are favourable against budget largely due to the recognition of income associated with the award of transferable heritage floor space rights at City owned CBD buildings (\$44.1M), This favourable variance was offset in part by adverse impact of the Covid-19 pandemic on enforcement income. A flexible approach to enforcement was adopted which led to a significant reduction in fines.				
<b>Operating grants and contributions</b>	<b>14,166</b>	<b>24,071</b>	<b>9,905</b>	<b>70% F</b>
Approximately \$5.8M of grant funding was received from the NSW government as part of city centre revitalisation efforts. This was not budgeted, as the impact of Covid-19 was expected to extend further into the 2020/21 financial year. Grants were also received from the NSW government to support temporary (pop-up) cycleway works. This agreement was reached subsequent to the adoption of the budget.				
<b>Capital grants and contributions</b>	<b>33,108</b>	<b>144,701</b>	<b>111,593</b>	<b>337% F</b>
Capital contributions were favourable to budget. The timing of these contributions is difficult to predict. At Green Square, significant infrastructure assets and dedications of land were delivered by developers at a number of sites during the year. In addition, under the terms of the Light Rail Development Agreement between the City of Sydney and the NSW Government public domain assets associated with the project have been transferred to the City (\$78.4M). The timing and quantum of the recognition of these assets has been uncertain and was not included in the budget. Contributions toward development in the CBD (known as Section 61 contributions) were favourable to budget reflecting continued strong development activity.				
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>20,740</b>	<b>20,740</b>	<b>∞ F</b>
Council does not budget for gains on disposal of assets, due to their non-recurrent nature, uncertainty of timing and the inherent volatility of sale proceeds. Individual asset sales are approved with appropriate delegated authority, taking into consideration the proposed price offered by the purchaser and the carrying value of the asset/s. The gain reflects where sale proceeds exceed the asset book value of property including: the disposal of council depot sites, proceeds from a compulsory divestment of three parcels City-owned land at Observatory Hill to the NSW Department of Education, and heritage floor space relating to CBD buildings sold in the market at a price higher than the original award. These gains were offset in part by the disposal of public domain assets demolished as part of the Light Rail project.				
<b>Other income</b>	<b>69,200</b>	<b>100,971</b>	<b>31,771</b>	<b>46% F</b>

Council does not budget for the fair value increments on investment properties (\$39.0M). This favourable result against budget was offset in part by lower than budgeted rental income from the City's investment and other commercial properties which was unfavourable to budget due to continued impact of the Covid-19 pandemic.

**B5-1 Material budget variations (continued)**

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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**EXPENSES**

<b>Materials and services</b>	<b>247,538</b>	<b>251,715</b>	<b>(4,177)</b>	<b>(2)% U</b>
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Council's adopted budget included approximately \$20.4M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of the budget was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the the collection costs to Materials and Contracts with the balance (approx \$6.0M) retained in Other expenses - contributions/levies to other levels of Government. In addition, this expense category was impacted by project costs, associated with the delivery of the City's significant capital works program but not adding to the enduring benefit to the asset, being re-classified as operating expenses. This expenditure is often related to initial options reviews and/or the demolition of assets and was higher than anticipated in the budget. The expenditure was incurred against public domain, roadway and parks works and a number of Information Technology projects. In addition, the budget for aquatics facility management fees were netted off against income and included in the User Fees and Charges category only. For the purposes of the actual results shown in financial statements both gross income and expenditure have been included thereby significantly increasing the amount shown for facility management fees as part of this category. These increases were offset by savings across a wide range of activity caused by the Covid-19 pandemic. In particular, cancellation of a number of major events, including New Year's Eve, led to significant savings.

<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>102,903</b>	<b>122,011</b>	<b>(19,108)</b>	<b>(19)% U</b>
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The indexation of Open Space and Infrastructure asset valuations at 30 June 2020 had a larger than expected impact upon depreciation calculations than budgeted. Additionally, it was anticipated that depreciation rates may be reviewed during 2020/21, which would have had a favourable impact on depreciation expense. This has been deferred until 2021/22, subsequent to the comprehensive revaluations undertaken in 2020/21.

<b>Other expenses</b>	<b>61,398</b>	<b>46,871</b>	<b>14,527</b>	<b>24% F</b>
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Refer to Materials and Contracts commentary above. Council's adopted budget included approximately \$20.4M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of the budget was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the the collection costs to Materials and Contracts with the balance (approx \$6.0M) retained in Other expenses - contributions/levies to other levels of Government. Prior year comparatives were also reclassified. The overall savings in this category were offset, in part, by additional community support grants that occurred in response to the Covid-19 pandemic.

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>89,369</b>	<b>150,643</b>	<b>61,274</b>	<b>69% F</b>
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A number of income sources, including parking and enforcement and commercial property income, proved more resilient than budgeted. Activity rebounded from the Covid-19 pandemic in the second half of the financial year, augmented by larger than anticipated Section 61 developer contributions (for central Sydney) and cash receipts arising from payments of security deposits.

<b>Cash flows from investing activities</b>	<b>(146,313)</b>	<b>(222,840)</b>	<b>(76,527)</b>	<b>52% U</b>
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The performance against budget reflects lower than anticipated capital works and property acquisition expenditure. In particular, the budget anticipated a commercial property acquisition of approximately \$100M, however a suitable site (or sites) could not be located during the 2020/21 financial year. In terms of capital works, contract issues and approval delays have slowed progress on a number of projects. Unspent budget for these projects is to be revoted into future years. These elements reduced the anticipated cash outflows however they were more than offset by additional investment in term deposits and investment securities. This increase can be observed in the amount of investments on hand at the end of the year.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	11,998	6,643
Cash-equivalent assets		
– Deposits at call	34,053	56,793
– Short-term deposits	5,000	60,000
<b>Total cash and cash equivalents</b>	<b>51,051</b>	<b>123,436</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	51,051	123,436
<b>Balance as per the Statement of Cash Flows</b>	<b>51,051</b>	<b>123,436</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	398,000	90,000	252,000	75,000
NCD's, FRN's (with maturities > 3 months)	19,600	96,604	83,250	99,107
<b>Total</b>	<b>417,600</b>	<b>186,604</b>	<b>335,250</b>	<b>174,107</b>
<b>Total financial investments</b>	<b>417,600</b>	<b>186,604</b>	<b>335,250</b>	<b>174,107</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>468,651</b>	<b>186,604</b>	<b>458,686</b>	<b>174,107</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition. Council has assessed the objective of its investment business model as holding financial assets in order to collect contractual cash flows, with those cash flows on

## C1-2 Financial investments (continued)

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contractual dates, comprising solely principal and/or interest. Accordingly, all investments for the reporting periods shown were held at amortised cost.

### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position.

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.



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

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>468,651</b>	<b>186,604</b>	458,686	174,107
<b>attributable to:</b>				
External restrictions	7,194	61,441	50,153	66,416
Internal restrictions	188,270	125,163	220,981	107,691
Unrestricted	273,187	–	187,552	–
	<b>468,651</b>	<b>186,604</b>	458,686	174,107

\$ '000	2021	2020
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	3,288	153
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#### External restrictions – included in liabilities

	<b>3,288</b>	<b>153</b>
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#### External restrictions – other

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

Developer contributions – general	30,902	84,820
Domestic waste management	34,445	30,984
Stormwater management	–	612

#### External restrictions – other

	<b>65,347</b>	<b>116,416</b>
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#### Total external restrictions

	<b>68,635</b>	<b>116,569</b>
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#### Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Supported accommodation, affordable and diverse housing fund	4,348	8,475
City centre transformation reserve	–	41,100
Commercial property reserve	98,038	88,038
Employees leave entitlement	6,844	6,887
Green infrastructure	13,977	17,477
Green square reserve	86,325	86,325
Heritage conservation fund	48,170	23,714
Infrastructure contingency	–	2,280
Performance cash bonds and retentions	30,310	23,345
Public liability insurance	646	404
Renewable energy reserve	7,375	7,747
Workers compensation	17,400	22,880

#### Total internal restrictions

	<b>313,433</b>	<b>328,672</b>
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#### Total restrictions

	<b>382,068</b>	<b>445,241</b>
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

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

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### Policy on internal and external restrictions on cash, cash equivalents and investments

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

**Developer Contributions** - 100% of cash Developer Contributions levied under Section 7.11, Section 61, Bonus Floor Space scheme and Voluntary Planning Agreements (including the Developer Rights Scheme for Green Square Town Centre) received but not yet expended in accordance with the applicable deed or contributions plan.

**Contributions - Capital Works** - 100% of cash contributions provided to Council by third parties that are yet to be expended on the project/s for which they were provided.

**Unexpended Grants** - 100% of cash grants received not spent during the year are treated as restricted funds.

**Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

**Stormwater Management** - Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

**Supported Accommodation, Affordable and Diverse Housing** - Income receipts dedicated by Council for the purposes of contributing towards the delivery of supported accommodation, affordable and/or diverse housing are set aside for future projects and initiatives as endorsed by Council.

**City Centre Transformation** - Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail. Final instalment payment was made in August 2020.

**Commercial Properties** - Funds that are surplus to requirements, set aside to reinvest and continue the revenue stream from and maintain diversification of Council's large commercial and investment property portfolio.

**Community Facilities** - Cash set aside for the future acquisition or development of property to improve community spaces or replacement facilities that meet community needs at that time.

**Employee Leave Entitlements** - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

**Green Infrastructure** - Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

**Green Square** - Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

**Heritage Conservation Fund** - Cash received through Alternative Heritage Floor Space Allocation Scheme, yet to be expended on heritage related projects in accordance with the council-adopted policy.

**Infrastructure Contingency** - 100% of monies are set aside for the funding of urgent and expensive rectification of historic buildings and ageing infrastructure (e.g. stormwater).

**Operational Facilities** - Cash set aside for the future acquisition or development of properties to supplement or replace buildings within the current building assets portfolio that provide infrastructure for the operation of Council's services.

**Performance Bond Deposits** - All security deposits are held as restricted funds.

**Public Liability Insurance** - Cash has been restricted for 100% of the provision.

**Public Roads** - In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.

**Renewable Energy** - Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources.

**Workers Compensation Insurance** - In accordance with actuarial advice, Council restricts funds for 100% of the provision, as advised by an external consulting actuary (in order to meet the requirements of the State Insurance Regulatory Authority, SIRA).

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	8,047	–	8,464	–
Interest and extra charges relating to rates	120	–	112	–
User charges and fees	13,045	–	14,925	–
Accrued interest on investments	1,278	–	1,505	–
Net GST receivable	2,544	–	3,070	–
Rental debtors	18,342	2,287	14,903	–
Outstanding works in kind contributions	17,942	28,961	14,001	31,677
<b>Total</b>	<b>61,318</b>	<b>31,248</b>	<b>56,980</b>	<b>31,677</b>
<b>Less: provision of impairment</b>				
Rental debtors and User charges & fees	(3,460)	–	(3,344)	–
<b>Total provision for impairment – receivables</b>	<b>(3,460)</b>	<b>–</b>	<b>(3,344)</b>	<b>–</b>
<b>Total net receivables</b>	<b>57,858</b>	<b>31,248</b>	<b>53,636</b>	<b>31,677</b>
<b>Externally restricted receivables</b>				
Domestic waste management	634	–	635	–
Domestic waste management – interest & extra charges	22	–	23	–
Works receivable (developer contributions)	17,942	28,961	14,001	31,677
<b>Total external restrictions</b>	<b>18,598</b>	<b>28,961</b>	<b>14,659</b>	<b>31,677</b>
<b>Unrestricted receivables</b>	<b>39,260</b>	<b>2,287</b>	<b>38,977</b>	<b>–</b>
<b>Total net receivables</b>	<b>57,858</b>	<b>31,248</b>	<b>53,636</b>	<b>31,677</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	3,344	3,613
+ new provisions recognised during the year	3,309	2,115
– amounts already provided for and written off this year	(686)	(76)
– amounts provided for but recovered during the year	(4)	(37)
– unused amounts reversed	(2,503)	(2,271)
<b>Balance at the end of the year</b>	<b>3,460</b>	<b>3,344</b>

### Accounting policy

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

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

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

### Impairment

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

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

## C1-4 Receivables (continued)

experience and informed credit assessment, and including forward-looking information. Additional disclosure related to Council's ECL model is provided at Note E1-1.

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

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

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

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.

A debt write-off is only considered after all attempts and appropriate measures of collecting the debt have failed, and where at least one of the following conditions is satisfied: the debt cannot be proven; the debt is of a size that makes the use of external debt collection agency economically unviable; the debtor and/or their assets cannot be located; the debt is statute barred (the age of the claim is beyond legislatively stated time constraints); the debtor has been declared bankrupt (personal) or in liquidation (corporate) or the company is deregistered; or the debtor is deceased.

The write off of a debt does not preclude any action being taken in the future to collect the outstanding amount, should the prevailing circumstances change. None of the receivables that have been written off are subject to further enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Inventories

<b>\$ '000</b>	<b>2021</b> <b>Current</b>	<b>2021</b> <b>Non-current</b>	<b>2020</b> <b>Current</b>	<b>2020</b> <b>Non-current</b>
<b>(i) Inventories at cost</b>				
Stores and materials	989	-	594	-
<b>Total inventories at cost</b>	<b>989</b>	<b>-</b>	<b>594</b>	<b>-</b>
<b>Total inventories</b>	<b>989</b>	<b>-</b>	<b>594</b>	<b>-</b>

### Externally restricted assets

There are no restrictions applicable to the above assets.

### Accounting policy

#### 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.

## C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets - accrued revenue	C1-6	17,195	16,326
<b>Total contract assets and contract cost assets</b>		<b>17,195</b>	<b>16,326</b>

### Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Accrued revenue	17,195	-	16,326	-
<b>Total contract assets</b>	<b>17,195</b>	<b>-</b>	<b>16,326</b>	<b>-</b>

#### (i) Externally restricted assets

There are no restrictions applicable to the above assets.

### Accounting policy

#### Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

## C1-7 Non-current assets classified as held for sale

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Details of non-current assets held for sale</b>					
Land	C1-8	17,906	-	54,430	-
Buildings	C1-8	-	-	485	-
Transferable Rights - Heritage Floorspace	C1-10	17,693	-	-	-
<b>Total non-current assets held for sale</b>		<b>35,599</b>	<b>-</b>	<b>54,915</b>	<b>-</b>
<b>Total non-current assets classified as held for sale</b>		<b>35,599</b>	<b>-</b>	<b>54,915</b>	<b>-</b>

### Details of assets

Council holds property assets previously designated as 'Land - Operational' and 'Intangible Assets', being transferable Heritage Floor Space rights, in Notes C1-8 and C1-10 - as held for sale at 30 June 2021. Preferred purchasers have been determined, and the disposals have been endorsed by Council. Settlement is anticipated to occur during the 2021/22 financial year.

### Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress (WIP) <sup>3</sup>	232,723	–	232,723	55,535	109,167	–	–	(166,222)	–	–	(555)	–	–	230,648	–	230,648
Plant and equipment	100,013	(63,797)	36,216	4,474	1,057	(446)	(11,800)	11,688	–	–	–	–	–	114,973	(73,785)	41,188
Office equipment	19,567	(11,649)	7,918	1,711	305	–	(3,029)	–	889	–	–	–	–	22,472	(14,678)	7,794
Furniture and fittings	37,973	(23,213)	14,760	128	–	–	(3,416)	4,548	–	–	–	–	–	42,649	(26,629)	16,020
<b>Land:</b>																
– Operational land	1,519,421	–	1,519,421	–	76,512	–	–	11,426	25,587	(17,906)	–	–	192,500	1,807,539	–	1,807,539
– Community land <sup>4</sup>	3,050,177	–	3,050,177	–	9,056	–	–	–	(30,150)	–	–	(535,100)	–	2,493,983	–	2,493,983
– Crown land <sup>4</sup>	4,871,680	–	4,871,680	–	–	–	–	–	(1,962)	–	–	(1,855,827)	–	3,013,891	–	3,013,891
– Land under roads (post 30/6/08)	97,491	–	97,491	–	5,658	–	–	–	6,525	–	–	–	–	109,674	–	109,674
Other structures – trees	119,732	–	119,732	–	1,332	(785)	–	582	–	–	–	–	–	120,861	–	120,861
Other structures – poles and lights	125,235	(58,545)	66,690	–	20,639	(1,262)	(7,240)	3,069	–	–	–	–	–	146,589	(64,692)	81,897
Other structures – signs	24,123	–	24,123	–	20	–	–	806	–	–	–	–	–	24,949	–	24,949
<b>Infrastructure:</b>																
– Buildings – non-specialised	1,759,329	(368,613)	1,390,716	200	538	(866)	(32,552)	70,257	–	–	–	–	136,881	1,979,080	(413,907)	1,565,173
– Buildings – specialised	44,833	(13,538)	31,295	–	364	–	(504)	137	–	–	–	(4,231)	–	49,345	(22,284)	27,061
– Roads, Bridges, Footways, Kerbs	1,794,591	(532,584)	1,262,007	–	48,712	(21,694)	(23,671)	25,466	(394)	–	–	–	–	1,836,317	(545,891)	1,290,426
– Stormwater drainage	409,866	(126,112)	283,754	–	18,495	(1,816)	(4,242)	5,602	–	–	–	–	–	431,279	(129,485)	301,794
– Open space/recreational assets	611,802	(352,581)	259,221	–	5,192	(584)	(26,541)	31,423	–	–	–	–	9,075	661,553	(383,767)	277,786
<b>Other assets:</b>																
– Heritage collections	7,314	–	7,314	–	3	–	–	–	–	–	–	–	2,281	9,598	–	9,598
– Library books	8,069	(5,245)	2,824	573	–	–	(1,254)	–	–	–	–	–	–	8,642	(6,499)	2,143
– City art	48,543	(9,361)	39,182	–	11	(745)	(481)	1,218	–	–	–	–	9,256	58,943	(10,502)	48,441
<b>Total infrastructure, property, plant and equipment</b>	<b>14,882,482</b>	<b>(1,565,238)</b>	<b>13,317,244</b>	<b>62,621</b>	<b>297,061</b>	<b>(28,198)</b>	<b>(114,730)</b>	<b>–</b>	<b>495</b>	<b>(17,906)</b>	<b>(555)</b>	<b>(2,395,158)</b>	<b>349,993</b>	<b>13,162,985</b>	<b>(1,692,119)</b>	<b>11,470,866</b>

(1) Renewals are defined as the replacement or reinstatement of existing assets (significant upgrades and acquisition of additional assets are shown under Additions new assets).

(2) WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include: \$38.1M in capital renewal, \$16.4M in capital upgrade, \$111.7M in new infrastructure and facilities

(3) Capital Work in Progress includes \$230.0M for capital construction projects and \$0.7M for Plant & Asset purchases

(4) The Community and Crown/Third Party Land classes were subject to comprehensive revaluation for 2020/21. The revaluation incorporated a change of accounting estimates, as detailed at note G4-3



## C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period									At 30 June 2020			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	TfRs from/(to) held for sale <sup>3</sup> category	TfRs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ 000																
Capital work in progress <sup>3</sup>	193,903	–	193,903	34,897	109,949	–	–	(105,908)	–	–	(118)	–	–	232,723	–	232,723
Plant and equipment	101,288	(62,390)	38,898	7,284	2,349	(389)	(11,954)	27	–	–	–	–	–	100,013	(63,797)	36,216
Office equipment	16,252	(9,810)	6,442	3,032	–	–	(2,661)	1,103	–	–	–	–	–	19,567	(11,649)	7,918
Furniture and fittings	45,594	(27,419)	18,175	127	–	–	(3,544)	–	–	–	–	–	–	37,973	(23,213)	14,760
<b>Land:</b>																
– Operational land	1,543,512	–	1,543,512	–	44,562	–	–	–	(5,278)	(54,430)	–	(8,945)	–	1,519,421	–	1,519,421
– Community land	2,635,675	–	2,635,675	–	3,619	–	–	–	(30,044)	–	–	440,926	–	3,050,177	–	3,050,177
– Crown land	3,592,804	–	3,592,804	–	–	–	–	–	30,149	–	–	1,248,726	–	4,871,680	–	4,871,680
– Land under roads (post 30/6/08)	75,326	–	75,326	–	16,993	–	–	–	5,173	–	–	–	–	97,491	–	97,491
Other structures – trees	118,719	–	118,719	–	562	–	–	452	–	–	–	–	–	119,732	–	119,732
Other structures – poles and lights	114,601	(55,264)	59,337	–	570	–	(5,901)	2,340	–	–	–	10,345	–	125,235	(58,545)	66,690
Other structures – signs	20,026	–	20,026	–	46	–	–	1,511	–	–	–	2,540	–	24,123	–	24,123
<b>Infrastructure:</b>																
– Buildings – non-specialised	1,741,983	(338,495)	1,403,488	206	18,823	(391)	(35,134)	4,209	–	(485)	–	–	–	1,759,329	(368,613)	1,390,716
– Buildings – specialised	44,422	(13,130)	31,292	–	–	(118)	(487)	609	–	–	–	–	–	44,833	(13,538)	31,295
– Roads	1,657,277	(754,542)	902,735	106	8,177	(1,785)	(22,108)	35,140	–	–	–	339,741	–	1,794,591	(532,584)	1,262,007
– Stormwater drainage	326,265	(113,240)	213,025	–	1,494	–	(3,681)	56,147	–	–	–	16,770	–	409,866	(126,112)	283,754
– Other open space/recreational assets	527,651	(279,288)	248,363	–	686	(1)	(22,207)	3,665	(8)	–	–	28,724	–	611,802	(352,581)	259,221
<b>Other assets:</b>																
– Heritage collections	7,227	–	7,227	–	88	–	–	–	–	–	–	–	–	7,314	–	7,314
– Library books	8,240	(5,181)	3,059	1,042	–	–	(1,277)	–	–	–	–	–	–	8,069	(5,245)	2,824
– City art	47,708	(8,860)	38,848	123	–	–	(501)	705	8	–	–	–	–	48,543	(9,361)	39,182
<b>Total Infrastructure, property, plant and equipment - Prior year</b>	<b>12,818,473</b>	<b>(1,667,619)</b>	<b>11,150,854</b>	<b>46,817</b>	<b>207,918</b>	<b>(2,684)</b>	<b>(109,455)</b>	<b>–</b>	<b>–</b>	<b>(54,915)</b>	<b>(118)</b>	<b>(8,945)</b>	<b>2,087,772</b>	<b>14,882,482</b>	<b>(1,565,238)</b>	<b>13,317,244</b>

(1) Renewals are defined as the replacement or reinstatement of existing assets (significant upgrades and acquisition of additional assets are shown under Additions new assets).

(2) WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include: \$26.2M in capital renewal, \$37.8M in capital upgrade, \$41.9M in new infrastructure and facilities

(3) Capital Work in Progress includes \$231.2M for capital construction projects and \$1.5M for Plant & Asset purchases

## C1-8 Infrastructure, property, plant and equipment (continued)

### Accounting policy

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes. When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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. Repairs and maintenance are charged to the Income Statement during as they are incurred.

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

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

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.

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

<b>Buildings (by component type):</b>	Years	<b>Infrastructure - Drainage</b>	Years
Structure (Short Life)	26 to 148	Pipes and culverts	100
Structure (Long Life)	50 to 260	Drainage pits and junctions	100
Sub-Structure (Short Life)	28 to 126	Trunk drainage infrastructure	200
Sub-Structure (Long Life)	75 to 195	Water quality infrastructure	10 to 100
Roof (Short Life)	26 to 122		
Roof (Long Life)	50 to 195	<b>Poles and Lighting</b>	
Fit-Out (Short Life)	17 to 74	Council lighting	15 to 20
Fit-Out (Long Life)	50 to 130	Smartpoles	20
Services - Electrical (Short Life)	30 to 88		
Services - Electrical (Long Life)	75 to 195	<b>Council Signage</b>	Infinite
Services - Fire (Short Life)	10 to 25		
Services - Fire (Long Life)	40 to 52	<b>Open space and recreational assets</b>	
Services - Hydraulic (Short Life)	23 to 88	Park and open space improvements	8 to 50
Services - Hydraulic (Long Life)	75 to 195	Park equipment and structures	10 to 20
Services - Mechanical (Short Life)	10 to 63		
Services - Mechanical (Long Life)	80 to 104	<b>Trees - street and park trees</b>	Infinite
Services - Security (Short Life)	14 to 25		
Services - Lift/Transport (Short Life)	47 to 130	<b>Plant &amp; Equipment</b>	
Services - Lift/Transport (Long Life)	75 to 195	Plant & equipment	3 to 20
Services - Floor Coverings (Short Life)	8 to 43	Vehicles and road-making equipment	5 to 7
		Computer equipment	3 to 5
		Parking Meters	5 to 7
<b>Infrastructure - Roads</b>		Office Equipment	3 to 5
Roads - upper strata	30 to 100	Furniture and Fittings	3 to 10
Roads - lower strata	300		
Roads - sub-structure earthworks	Infinite	<b>Other assets</b>	
Footways	30 to 100	Library resources	3 to 10
Kerb and gutter	80 to 150	City art	20 to 100
Bridges and structures	100		
Street furniture/fixtures	20 to 50		

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.

## C1-8 Infrastructure, property, plant and equipment (continued)

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### **Land under roads**

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

### **Crown reserves and third party owned land**

The Crown Land class includes assets that are owned by government and/or 3rd party entities, however Council retains both operational control of the assets and responsibility for the maintenance of improvements thereon. Council includes these land assets in the Statement of Financial Position, as well as the cost of any Council funded related improvements, on the basis of its financial rights and responsibilities in controlling and maintaining the assets.

Revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves, and Council's history of operational care and control over the assets.

In the case of Crown Reserve lands, Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act 1989 ("the Act") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.

## C1-9 Investment properties

\$ '000	2021	2020
<b>Owned investment property</b>		
Investment property on hand at fair value	384,259	344,700
<b>Total owned investment property</b>	<b>384,259</b>	<b>344,700</b>

### Investment property movements

\$ '000	Notes	2021	2020
<b>At fair value</b>			
Opening balance at 1 July		344,700	339,350
Capitalised subsequent expenditure		555	120
Net gain/(loss) from fair value adjustments	B2-6	39,004	5,230
<b>Closing balance at 30 June</b>		<b>384,259</b>	<b>344,700</b>

### Accounting policy

Investment property, comprising commercial, industrial and residential properties, is held for long-term rental yield and capital appreciation and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of Note B2-6 Other Income.

## C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	34,451	30,043
Accumulated amortisation	(21,295)	(14,587)
Software work in progress (WIP) balance	15,006	5,424
<b>Net book value – opening balance</b>	<b>28,162</b>	<b>20,880</b>
<b>Movements for the year</b>		
– Development costs capitalised	10,304	4,407
– Transfer (to)/from I,P,P&E	(872)	–
– Amortisation charges	(6,832)	(6,707)
– WIP movement - net	3,427	9,582
<b>Closing values at 30 June</b>		
Gross book value	43,883	34,451
Accumulated amortisation	(28,127)	(21,295)
Software work in progress (WIP) balance	18,433	15,006
<b>Total software – net book value</b>	<b>34,189</b>	<b>28,162</b>
<b>Transferable rights - heritage floor space</b>		
<b>Opening values at 1 July</b>		
Gross book value	20,688	–
<b>Net book value – opening balance</b>	<b>20,688</b>	<b>–</b>
<b>Movements for the year</b>		
– Award of heritage floor space on City-owned property	44,064	20,688
– Carrying value of heritage floor space sold	(28,698)	–
– Transferred to assets held for sale at 30 June	(17,693)	–
<b>Closing values at 30 June</b>		
Gross book value	18,361	20,688
<b>Total Transferable Rights - Heritage Floor Space – net book value</b>	<b>18,361</b>	<b>20,688</b>
<b>Total intangible assets – net book value</b>	<b>52,550</b>	<b>48,850</b>

### Accounting policy

#### 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.

Software 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.

## C1-10 Intangible assets (continued)

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### **Transferable rights - heritage floor space**

The heritage floor space scheme provides an incentive for the conservation and ongoing maintenance of heritage items in central Sydney. The scheme provides for owners of eligible heritage listed buildings to be awarded heritage floor space after preparing a conservation management plan and completing agreed conservation works to their building. The awarded heritage floor space can then be sold to a site that requires it as part of an approved development application.

Within central Sydney, it is often a requirement of large scale developments to acquire heritage floor space in order to maximise development capacity on a site.

Following an award of heritage floor space on a Council-owned property, an asset will be recognised at the point the award is registered on Council's heritage floor space register. At recognition, heritage floor space awarded to Council is valued at fair value with reference to the *Heritage Floor Space Update*, published biannually by the Council's Strategic Planning and Urban Design unit (at December and June). Heritage Floor Space rights will subsequently be carried using the Cost approach (i.e. at recognition value). As transferable rights, the assets have an infinite useful life, but may be subject to fluctuations market value.

## C1-11 Other

### Other assets

<b>\$ '000</b>	<b>2021</b> <b>Current</b>	<b>2021</b> <b>Non-current</b>	<b>2020</b> <b>Current</b>	<b>2020</b> <b>Non-current</b>
Prepayments	6,983	–	5,857	–
Future benefits – shared services relating to Sutherland animal shelter	14	112	14	126
<b>Total other assets</b>	<b>6,997</b>	<b>112</b>	<b>5,871</b>	<b>126</b>

### Restricted assets

<b>\$ '000</b>	<b>2021</b> <b>Current</b>	<b>2021</b> <b>Non-current</b>	<b>2020</b> <b>Current</b>	<b>2020</b> <b>Non-current</b>
Other assets - externally restricted	–	–	–	–
Other assets - internally restricted	–	–	–	–
Other assets - unrestricted	6,997	112	5,871	126
<b>Total other assets</b>	<b>6,997</b>	<b>112</b>	<b>5,871</b>	<b>126</b>

## C2 Leasing activities

### C2-1 Council as a lessee

#### Buildings

Council entered a lease for two floors of a larger commercial building, commencing 28 June 2019, for use as a public library. The initial lease term is 15 years, with escalation of CPI plus 0.5% annually.

#### Extension options

The lease contains five extension options of 15 years each, plus a further option of 9 years (i.e. total potential extensions of 84 years, following the initial 15 year term). Council has assessed the first 30 year option as reasonably certain, and included this option term in lease liability calculations. The further options are currently not considered to be reasonably certain, and have therefore been excluded from lease liability calculations (the present value of future lease payments at 30 June 2021, including all future extension options, is estimated at \$52.9M).

#### (a) Right of use assets

<b>\$ '000</b>	<b>Building</b>	<b>Total</b>
<b>2021</b>		
Opening balance at 1 July	13,361	13,361
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–
Depreciation charge	(448)	(448)
Lease liability remeasurement	(362)	(362)
<b>Balance at 30 June</b>	<b>12,551</b>	<b>12,551</b>
<b>2020</b>		
Opening balance at 1 July	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	13,822	13,822
Depreciation charge	(461)	(461)
Lease liability remeasurement	–	–
<b>Balance at 30 June</b>	<b>13,361</b>	<b>13,361</b>

#### (b) Lease liabilities

<b>\$ '000</b>	<b>2021 Current</b>	<b>2021 Non-current</b>	<b>2020 Current</b>	<b>2020 Non-current</b>
Lease liabilities	203	12,960	183	13,530
<b>Total lease liabilities</b>	<b>203</b>	<b>12,960</b>	<b>183</b>	<b>13,530</b>

#### (i) Maturity analysis

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

<b>\$ '000</b>	<b>&lt; 1 year</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>	<b>Total per Statement of Financial Position</b>
<b>2021</b>					
Cash flows	453	1,919	15,210	17,582	13,163
<b>2020</b>					
Cash flows	443	1,887	16,224	18,554	13,713



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

### (ii) Lease liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above lease liabilities

### (c) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	254	263
Depreciation of right of use assets	448	461
Variable lease payments based on usage not included in the measurement of lease liabilities	445	493
Expenses relating to low-value leases	69	64
Expenses relating to short-term leases	–	36
	<b>1,216</b>	<b>1,317</b>

### (d) Statement of Cash Flows

Total cash outflow for leases	442	371
	<b>442</b>	<b>371</b>

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

Council has a number of leases at significantly below market for land and buildings which are used for:

- Bridges - stratum
- Car park
- Child care centre
- Community room
- Bicycle/end-of-trip facilities
- Jetty/pontoon facilities
- Parks and open space

The leases are generally between 10 and 99 years for nominal rent. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

#### Accounting policy

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

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

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

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

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

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

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

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

### Exceptions to lease accounting

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

### Leases at significantly below market value / Concessionary leases

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

## C2-2 Council as a lessor

### Operating leases

Council leases a number of properties to both commercial tenants and community groups. Those property assets that are held by Council for the purposes of generating rental income and/or capital appreciation are classified as investment property in the statement of financial position. Other property assets generating lease income are held for a range of community and strategic purposes, and income generated through lease arrangements is considered incidental to these longer term strategic aims.

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

\$ '000	2021	2020
---------	------	------

#### (i) Assets held as investment property

Council classifies a number of properties as Investment Property under AASB 140, where the assets are primarily held for rental returns and/or capital appreciation over time.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	18,865	16,723
<b>Total income relating to operating leases for investment property assets</b>	<b>18,865</b>	<b>16,723</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	1,443	2,052
<b>Total expenses relating to operating leases of investment property</b>	<b>1,443</b>	<b>2,052</b>

#### Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance	1,212	854
<b>Total repairs and maintenance: investment property</b>	<b>1,212</b>	<b>854</b>

#### (ii) Assets held as property, plant and equipment

Council leases a range of property assets on both commercial and (partially) subsidised terms, including:

- Commercial, retail, industrial and residential property
- Footway and kiosk operator licences
- Stratum leases for airspace and tunnels in the public domain

Lease income (excluding variable lease payments not dependent on an index or rate)	33,430	38,012
Lease income relating to variable lease payments not dependent on an index or a rate	9,672	12,207
<b>Total income relating to operating leases for Council assets</b>	<b>43,102</b>	<b>50,219</b>

**C2-2 Council as a lessor (continued)**

\$ '000	2021	2020
<b>Other leased assets expenses</b>		
Direct operating expenses for other properties that generated rental income	15,338	20,728
<b>Total expenses relating to other leases assets</b>	<b>15,338</b>	<b>20,728</b>

**(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:**

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	39,773	31,356
1–2 years	25,721	27,272
2–3 years	19,291	18,045
3–4 years	12,975	16,285
4–5 years	9,228	7,981
> 5 years	71,221	62,099
<b>Total undiscounted lease payments to be received</b>	<b>178,209</b>	<b>163,038</b>

**Accounting policy**

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

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

If the lease contains lease and non-lease components 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.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Creditors – Goods and services	17,631	–	19,488	–
Accrued employee costs	6,750	–	6,625	–
Accrued interest expense - bonds and deposits	5	–	5	–
Accrued expenditure - other	44,864	–	40,385	–
Performance cash bonds, deposits and retentions	30,311	–	23,346	–
Prepaid rates	3,221	–	2,907	–
Other	1,265	–	806	–
<b>Total payables</b>	<b>104,047</b>	<b>–</b>	<b>93,562</b>	<b>–</b>
<b>Total payables</b>	<b>104,047</b>	<b>–</b>	<b>93,562</b>	<b>–</b>

#### Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				
Domestic waste management	2,270	–	3,360	–
Payables relating to externally restricted assets	2,270	–	3,360	–
<b>Internally restricted assets</b>				
Performance cash bonds, deposits and retentions	30,311	–	23,346	–
Payables relating to internally restricted assets	30,311	–	23,346	–
<b>Total payables relating to restricted assets</b>	<b>32,581</b>	<b>–</b>	<b>26,706</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>71,466</b>	<b>–</b>	<b>66,856</b>	<b>–</b>
<b>Total payables</b>	<b>104,047</b>	<b>–</b>	<b>93,562</b>	<b>–</b>

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	12,297	11,087
<b>Total payables</b>	<b>12,297</b>	<b>11,087</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	898	-	-	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	2,384	-	147	-
Heritage conservation fund	(ii)	2,100	46,070	-	23,714
<b>Total grants and contributions received in advance:</b>		<b>5,382</b>	<b>46,070</b>	<b>147</b>	<b>23,714</b>
<b>User fees and charges received in advance:</b>					
Miscellaneous payments received in advance		22,085	-	9,122	-
<b>Total user fees and charges received in advance</b>		<b>22,085</b>	<b>-</b>	<b>9,122</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>27,467</b>	<b>46,070</b>	<b>9,269</b>	<b>23,714</b>

### Notes

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

(ii) The liability relates to funds received via the Alternative Heritage Floor Space Allocation Scheme and held in the Heritage Conservation Fund. Strict eligibility criteria for projects, detailed in the scheme, must be met before funds are eligible to be recognised as income. This recognition occurs at the completion on eligible projects.

### Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities	3,288	-	153	-
<b>Contract liabilities relating to externally restricted assets</b>	<b>3,288</b>	<b>-</b>	<b>153</b>	<b>-</b>
<b>Internally restricted assets</b>				
Heritage Conservation Fund	2,100	46,070	-	23,714
<b>Contract liabilities relating to internally restricted assets</b>	<b>2,100</b>	<b>46,070</b>	<b>-</b>	<b>23,714</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>5,388</b>	<b>46,070</b>	<b>153</b>	<b>23,714</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>22,079</b>	<b>-</b>	<b>9,116</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>27,467</b>	<b>46,070</b>	<b>9,269</b>	<b>23,714</b>

## C3-2 Contract Liabilities (continued)

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Grants and contributions received in advance:</b>		
Operating grants (received prior to performance obligation being satisfied)	147	33
<b>User fees and charges received in advance:</b>		
Miscellaneous payments received in advance	9,122	14,545
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>9,269</b>	<b>14,578</b>

### Accounting policy

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

## C3-3 Borrowings

### Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Credit cards/purchase cards	1,500	1,500
<b>Total financing arrangements</b>	<b>1,500</b>	<b>1,500</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	16	13
<b>Total drawn financing arrangements</b>	<b>16</b>	<b>13</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	1,484	1,487
<b>Total undrawn financing arrangements</b>	<b>1,484</b>	<b>1,487</b>

### Accounting policy

Borrowings (where applicable) 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.

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.

### C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	12,684	–	13,933	–
Sick leave	2,772	2,517	3,006	2,738
Long service leave	47,971	2,587	46,044	3,241
Public holidays	290	–	235	–
<b>Total employee benefit provisions</b>	<b>63,717</b>	<b>5,104</b>	<b>63,218</b>	<b>5,979</b>

#### Employee benefit provisions relating to restricted assets

<b>Total employee benefit provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>63,717</b>	<b>5,104</b>	<b>63,218</b>	<b>5,979</b>
<b>Total employee benefit provisions</b>	<b>63,717</b>	<b>5,104</b>	<b>63,218</b>	<b>5,979</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	45,185	37,655
	<b>45,185</b>	<b>37,655</b>

#### Description of and movements in provisions

\$ '000	Employee benefit provisions				
	Annual leave	Sick leave	Long service leave	Public holidays	Total
<b>2021</b>					
At beginning of year	13,933	5,744	49,285	235	69,196
Additional provisions	14,449	541	8,002	55	23,047
Amounts used (payments)	(15,402)	(681)	(4,482)	–	(20,565)
Remeasurement effects	–	(47)	(1,206)	–	(1,253)
Unused amounts reversed	(296)	(268)	(1,041)	–	(1,605)
Total ELE provisions at end of year	<b>12,684</b>	<b>5,289</b>	<b>50,558</b>	<b>290</b>	<b>68,821</b>
<b>2020</b>					
At beginning of year	14,473	6,493	46,210	329	67,505
Additional provisions	14,399	–	8,509	–	22,908
Amounts used (payments)	(14,939)	(693)	(5,891)	(95)	(21,618)
Remeasurement effects	–	74	1,071	–	1,145
Unused amounts reversed	–	(130)	(614)	–	(744)
Total ELE provisions at end of year	<b>13,933</b>	<b>5,744</b>	<b>49,285</b>	<b>234</b>	<b>69,196</b>

#### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

#### Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid



## C3-4 Employee benefit provisions (continued)

when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

### Other long-term employee benefit obligations

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

### On-costs

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

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

## Defined Benefit Plans - additional disclosures

### A) Multi-Employer Pooled Fund

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

*a) Funding arrangements, including the method used to determine the rate of contributions and any minimum funding requirements.*

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

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

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

*\*For 180 Point Members, Employers are required to contribute 7% of salaries for the year ended 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.*

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 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.

*b) Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

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

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

*c) Description of any agreed allocation of a deficit or surplus on:*

*(i) wind-up of the plan*

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

*(ii) entity's withdrawal from the plan*

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

## C3-4 Employee benefit provisions (continued)

(d) Further information relating to Council accounting for the pooled employer fund as a defined contribution plan:

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

Council confirms that the plan is a defined benefit plan.

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

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

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

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

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

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan. Paragraph 34 of AASB 119 therefore applies, within the disclosures herein reflecting the requirements of paragraph 148.

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

The expected contributions by Council to the Fund for the next annual reporting period are \$2.999M.

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

<b>Defined Benefit reserves only (excluding other accumulation amounts in both assets and liabilities)</b>	<b>\$M</b>	<b>Asset Coverage</b>
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

Investment return	5.75% p.a.
Salary inflation (plus promotional increases)	3.50% p.a.
Increase in CPI	2.50% p.a.

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 relevant information have been received by the Fund's Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021.

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

Council's participation in the Scheme compared with other entities is about 4.70% based on the Council's current level of annual past service contributions of \$1.882M against total contributions of \$40.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2020.

### B) Defined Benefit Pooled Fund

Council participates in a Pooled Fund comprising closed NSW public sector superannuation schemes.

*Nature of the benefits provided by the fund:*

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

## C3-4 Employee benefit provisions (continued)

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The schemes are all defined benefit schemes with a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. All the Schemes are closed to new members. While Council records its assets and liabilities in respect of this Pooled Fund in accordance with the requirements of AASB 119 Employee Entitlements (refer to Note C3-4 - Employee benefit provisions), they are not material in relation to Council's total assets and liabilities. As a consequence, the Defined Benefit disclosures of AASB 119 have not been included as the associated assets and liabilities are not material.

## C3-5 Provisions

\$ '000	2021		2020	
	Current	Non-Current	Current	Non-Current
<b>Other provisions</b>				
Self insurance – workers compensation	3,100	14,300	3,598	11,654
Self insurance – public liability	105	541	–	404
Superannuation	–	3,737	–	4,742
Other	6,722	–	3,297	–
<b>Sub-total – other provisions</b>	<b>9,927</b>	<b>18,578</b>	<b>6,895</b>	<b>16,800</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,000	–	4,000
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total provisions</b>	<b>9,927</b>	<b>22,578</b>	<b>6,895</b>	<b>20,800</b>

### Provisions relating to restricted assets

#### Internally restricted assets

Self insurance – workers compensation	3,100	14,300	3,598	11,654
Self insurance – public liability	105	541	–	404
<b>Provisions relating to internally restricted assets</b>	<b>3,205</b>	<b>14,841</b>	<b>3,598</b>	<b>12,058</b>

#### Total provisions relating to restricted assets

	<b>3,205</b>	<b>14,841</b>	<b>3,598</b>	<b>12,058</b>
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#### Total provisions relating to unrestricted assets

	<b>6,722</b>	<b>7,737</b>	<b>3,297</b>	<b>8,742</b>
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#### Total provisions

	<b>9,927</b>	<b>22,578</b>	<b>6,895</b>	<b>20,800</b>
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### 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.

### Description of and movements in provisions

\$ '000	Other provisions					Net carrying amount
	Asset remediation	Workers Compensation	Public liability	Superannuation	Other	
<b>2021</b>						
At beginning of year	4,000	15,252	405	4,742	3,297	27,696
Additional provisions	–	10,360	241	–	3,425	14,026
Amounts used (payments)	–	(8,212)	–	–	–	(8,212)
Remeasurement effects	–	–	–	(1,005)	–	(1,005)
Total other provisions at end of year	<b>4,000</b>	<b>17,400</b>	<b>646</b>	<b>3,737</b>	<b>6,722</b>	<b>32,505</b>
<b>2020</b>						
At beginning of year	4,000	14,277	1,215	4,114	4,764	28,370
Additional provisions	–	6,990	–	–	3,297	10,287
Amounts used (payments)	–	(6,015)	(810)	–	–	(6,825)
Remeasurement effects	–	–	–	628	–	628
Unused amounts reversed	–	–	–	–	(4,764)	(4,764)
Total other provisions at end of year	<b>4,000</b>	<b>15,252</b>	<b>405</b>	<b>4,742</b>	<b>3,297</b>	<b>27,696</b>

## C3-5 Provisions (continued)

### Nature and purpose of provisions

#### Other

Other provisions incorporate a provision for rental waivers related to Covid-19 impacts on commercial property tenancies. Council applied the *the National Code of Conduct for commercial tenancies*, which was in effect until March 2021, and subsequently extended similar rental relief provisions beyond that time. As waiver eligibility is confirmed, property debts are adjusted, or in cases where tenants do not meet the requirements for rental waivers, the provision will be (partially) reversed to income.

#### Asset remediation

Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

#### Superannuation

Council records its assets and liabilities in respect of a Pooled Fund comprising closed NSW public sector superannuation schemes. Council's liability (or asset) position at 30 June is advised by the Fund's actuary.

#### Public liability and Workers Compensation

Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.

### Accounting policy

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

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

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

### Provisions for close-down and restoration, and environmental clean-up costs

#### Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

#### Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

#### Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. 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 C1-3.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **Infrastructure, property, plant and equipment revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

#### **Trust assets reserves**

The Trust Assets Revaluation Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value. These assets are owned by external entities (including State and Federal Governments) and are effectively controlled by the City as custodians or Reserve Trust manager.

## D Council structure

### D1 Results by fund

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Council utilises only a general fund for its operations.

### D2 Interests in other entities

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Council has no interest in any controlled entities, joint arrangements or associates.

### D3 Discontinued operations

#### D3-1 Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

## E Risks and accounting uncertainties

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

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. Financial risk management is carried out by Council's Chief Finance Office under policies approved by the Council.

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	<i>Carrying value 2021</i>	<i>Carrying value 2020</i>	<i>Fair value 2021</i>	<i>Fair value 2020</i>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	51,051	123,436	51,051	123,436
Receivables	86,562	82,243	86,562	82,243
Investments				
– Debt securities at amortised cost	604,204	509,357	605,539	510,702
<b>Fair value through profit and loss</b>				
Investments				
<b>Contract assets</b>				
Contract assets	17,195	16,326	17,195	16,326
<b>Total financial assets</b>	<b>759,012</b>	<b>731,362</b>	<b>760,347</b>	<b>732,707</b>
<b>Financial liabilities</b>				
Payables	100,826	90,655	100,826	90,655
Lease liabilities	13,163	13,713	13,163	13,713
<b>Total financial liabilities</b>	<b>113,989</b>	<b>104,368</b>	<b>113,989</b>	<b>104,368</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – carrying value is estimated to approximate fair value.
- **Held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Chief Finance Office manages the cash and investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 section 625 and Minister's investment order. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio 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 these 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.



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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers from time to time, when considering certain investment opportunities.

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

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement <sup>1</sup>	6,538	6,305
Impact of a 10% movement in price of investments		
– Equity / Income Statement <sup>2</sup>	–	–

(1) Owing to prevailing market conditions in light of the Covid-19 pandemic, the weighted average annualised interest rate earned for investments held at 30 June 2021 was 0.64%. Annual returns for the investment portfolio in 2021-22 cannot decrease more than this current rate of return (except in the unlikely event of negative interest rate returns).

(2) For the financial years shown, all investments were held at amortised cost, based on Council's investing business model. Accordingly, fluctuations in market value are not expected to have any impact on Net Surplus or Equity; all investments are due to mature at their face value.

### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees, rental debtors and future works in kind contributions receivable.

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

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

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

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

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

Council makes suitable provision for expected credit losses 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	<i>Not yet overdue</i>	<i>&lt; 1 year overdue</i>	<i>1 - 2 years overdue</i>	<i>2 - 5 years overdue</i>	<i>&gt; 5 years overdue</i>	<i>Total</i>
<b>2021</b>						
Gross carrying amount	–	7,849	137	93	87	8,166
<b>2020</b>						

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	–	8,377	87	59	53	8,576

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

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. For the assessment of expected credit losses at 30 June 2021, consideration was given to the ongoing impact of the Covid-19 pandemic on default rates. Expected loss rates were escalated at 30 June 2020, to reflect the expected ongoing impacts of the pandemic, and debt recovery data showed that the estimate was reasonably accurate.

The loss allowance provision as at 30 June 2021 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
<b>2021</b>						
Gross carrying amount	85,230	7,707	244	865	5,004	99,050
Expected loss rate (%)	0.00%	4.45%	9.84%	35.39%	55.70%	3.49%
ECL provision	–	343	24	306	2,787	3,460
2020						
Gross carrying amount	70,417	15,200	52	1,388	6,280	93,337
Expected loss rate (%)	0.00%	0.70%	14.48%	34.92%	43.71%	3.58%
ECL provision	–	106	8	485	2,745	3,344

### (c) Liquidity risk

Payables 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.

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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting. Refer to C2-1(b) for lease liabilities.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	30,311	70,513	–	–	100,824	100,826
<b>Total financial liabilities</b>		<b>30,311</b>	<b>70,513</b>	<b>–</b>	<b>–</b>	<b>100,824</b>	<b>100,826</b>
2020							
Trade/other payables	0.00%	23,346	67,309	–	–	90,655	90,655
<b>Total financial liabilities</b>		<b>23,346</b>	<b>67,309</b>	<b>–</b>	<b>–</b>	<b>90,655</b>	<b>90,655</b>

## E2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

Those assets classified as held for sale represent property sales where a financial offer has been accepted and/or settlement is expected within the next 12 months. The assets were transferred from the Operational Land and Intangible Assets classes, having been most recently revalued at the dates noted in Note E2-1.

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).

Details of the asset and liability classes measured and recognised by Council at fair value are shown on the following pages.

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>							
<b>Investment property</b> C1-9							
Investment property portfolio		384,259	344,700	–	–	384,259	344,700
<b>Total investment property</b>		<b>384,259</b>	<b>344,700</b>	<b>–</b>	<b>–</b>	<b>384,259</b>	<b>344,700</b>
<b>Infrastructure, property, plant and equipment (I,P,P&amp;E)</b> C1-8							
Plant and equipment		–	–	41,188	36,215	41,188	36,215
Office equipment		–	–	7,794	7,918	7,794	7,918
Furniture and fittings		–	–	16,020	14,760	16,020	14,760
Operational land		1,752,239	1,519,421	55,300	–	1,807,539	1,519,421
Community land		–	–	2,493,983	3,050,177	2,493,983	3,050,177
Crown and third party owned land		–	–	3,013,891	4,871,680	3,013,891	4,871,680
Land under roads (post 30/6/2008)		–	–	109,674	97,491	109,674	97,491
Open space		–	–	277,786	259,221	277,786	259,221
Buildings – non specialised		573,953	403,982	991,220	986,734	1,565,173	1,390,716
Buildings – specialised		186	–	26,875	31,295	27,061	31,295
Other structures – poles & lights		–	–	81,897	66,691	81,897	66,691
Other structures – signs		–	–	24,949	24,123	24,949	24,123
Other structures – trees		–	–	120,861	119,732	120,861	119,732
Roads, bridges, footpaths, kerbs		–	–	1,290,426	1,262,007	1,290,426	1,262,007
Stormwater drainage		–	–	301,794	283,755	301,794	283,755
Heritage collections		–	–	9,598	7,315	9,598	7,315
Library books		–	–	2,143	2,824	2,143	2,824
City art		–	–	48,441	39,182	48,441	39,182
<b>Total I,P,P&amp;E</b>		<b>2,326,378</b>	<b>1,923,403</b>	<b>8,913,840</b>	<b>11,161,120</b>	<b>11,240,218</b>	<b>13,084,523</b>

## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2021	2020
		2021	2020	2021	2020	2021	2020
<b>Non-recurring fair value measurements</b>							
<b>Non-current assets classified as held for sale</b>							
	C1-7						
Land		17,906	54,430	–	–	17,906	54,430
Buildings		–	485	–	–	–	485
Intangible assets - transferable rights		17,693	–	–	–	17,693	–
<b>Total NCA's classified as held for sale</b>		<b>35,599</b>	<b>54,915</b>	<b>–</b>	<b>–</b>	<b>35,599</b>	<b>54,915</b>

### Valuation techniques

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

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

#### Financial assets

Commencing 1 July 2018, in accordance with AASB 9, Council holds all investments at amortised cost. The Council's business model for investing is to hold term deposits and securities to maturity, redeeming the face value at that time.

#### Investment property

Fair value of investment properties is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal adopted the capitalised income approach as the valuation methodology whereby a yield is applied to the property's income to assess its value. The yield applied to the rental return is based on analysis of sales and or leasing data and is calculated by dividing the rental return from comparable sales against sale price (initial yield). Where analysis indicated that income from a sale property was not at market levels at the time of sale, the income was adjusted to reflect market returns.

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

##### Plant & Equipment, Office Equipment, Furniture & Fittings, Library Resources

The Cost Approach is used for these asset classes, based on depreciated original cost representing fair value. The assets are primarily for operational purposes and are not of a nature where valuation increments are likely.

Fair value is adjusted by depreciation representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

##### Buildings (Specialised and Non-Specialised)

Valuations of all building assets were undertaken by an external, qualified valuer (APV Valuers and Asset Management). In accordance with the brief provided to APV, valuations are compliant with AASB 13 - Fair Value.

Depending upon the unique circumstances of the building asset and other structure, each has been valued using a range of approaches:

- Market approach: favoured approach, applied where there is a principal market which provides observable evidence of the Fair Value of the asset.
- Income approach: utilised for assets where the income generating capability of the asset provides the best estimate of the assets' Fair Value.
- Cost approach: used for assets which are not income-generating and/or for which comparable sales evidence does not exist. These assets, largely within Specialised Buildings, have a particular use for delivery of services (e.g. grandstands, amenities blocks).
- In rare circumstances the valuation may also include a combination of approaches

The valuations are based on a range of inputs. Some inputs may be gathered at a high level prior to application of inputs at the Asset or Component Level.

## E2-1 Fair value measurement (continued)

Inputs to the valuation supported by observable evidence obtained via inspection and market evidence have been classified as Level 2 inputs. These include sales data, market and current rental income data, design and construction costs, average cost of construction, condition and consumption scores for each component as well as the dates of acquisition and decommissioning. The unobservable inputs (such the relationship between condition and the assessed level of remaining service potential of the depreciable amount required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

### Operational Land

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (APV). Land valuations take into consideration the characteristics of the land, such as size, zoning, topography, configuration etc. Depending upon the unique circumstances of each lot, land has been valued using one of the following approaches:

- Direct comparison to sales approach: The most widely used (and preferred) approach. Recent sales of similar properties are utilised as indicative of value, with site-specific characteristics allowed for.
- Hypothetical Development approach: in limited cases, where the highest value of land may be obtained through (notional) development, a realisable development value (less developer's margin) is taken as the fair value of the land parcel. The applicable planning controls for the site are taken into consideration.
- Value to an Adjoining Owner approach: in limited cases where there is no open market for a parcel, it may hold commercial value to an adjoining land owner. Value is considered to be the difference between the value of the adjacent land parcel with and without the subject parcel being included
- Nominal Value approach: sites with limited or no commercial utility (standalone or to adjacent owner) were valued at a nominal cost of acquisition (\$1,000)

The Hypothetical Development, Value to an Adjoining Owner and Nominal Value approaches all incorporate unobservable inputs, however the majority of valuations for the class reflect Level 2 (observable) inputs.

### Community Land (Council-owned)

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (Australian Pacific Valuers, APV). Land valuations take into consideration the characteristics of the land, such as size, zoning, topography, configuration etc. Land parcels were valued by APV in a manner consistent with Operational Land (as described above). Based on the unique circumstances of each lot, one of the following approaches was applied:

- Direct comparison to sales approach
- Hypothetical Development approach
- Value to an Adjoining Owner approach
- Nominal Value approach

The Hypothetical Development, Value to an Adjoining Owner and Nominal Value approaches all incorporate unobservable inputs.

A significant unobservable input is a discount (25% reduction) applied to the land values provided by APV, in recognition of the 'restrictions' associated with community land, in particular the lack of ability to sell the land or put it to an alternative purpose.

### Crown and Third party owned Land (Council-controlled)

Consistent with the Office of Local Government Code of Accounting Practice and Financial Reporting, Crown Reserves under Council's care and control are recognised as assets of the Council. Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (APV), with a further adjustment made to 'discount' these valuations (50% reduction) in order to reflect implicit restrictions associated with the land type (specifically, Council's lack of ownership interest and ability to sell the land or put it to an alternative purpose). This discount is an unobservable input, applied to the observable inputs used by the external valuer (consistent with the Operational and Community Land classes).

### Land Under Roads (post 30/06/2008)

Council utilises the 'englobo' valuation methodology for Land Under Roads, as allowable under the Office of Local Government Code of Accounting Practice and Financial Reporting. The approach utilises the average land valuation rate from the NSW Valuer-General for the Local Government Area, and applies a 90% 'discount' to reflect the 'restrictions' inherent to land under roads (in particular, the difficulty associated with sale or transfer).

### Infrastructure – Roads, Bridges, Footpaths, Signs, Poles & Lights, Stormwater Drainage

Fair value of these asset classes is determined on the depreciated replacement cost approach based on replacement costs determined with reference to current third party asset replacement contracts. The gross value is adjusted by depreciation, representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff. Signs and Poles & Lights were revalued in 2019/20, using updated unit rates, and available condition assessment data. The remaining infrastructure asset classes were subject to an interim revaluation adjustment during 2019/20 (pending comprehensive revaluation in 2021/22). The interim adjustment relied upon % uplift in relevant contract works unit rates and Australian Bureau of Statistics indices since the previous comprehensive revaluation as a basis for a general uplift of asset values.

## E2-1 Fair value measurement (continued)

### Open Space & Recreational Assets

Fair value of these asset classes is determined on the depreciated replacement cost approach substantially based on replacement costs determined with reference to current third party asset replacement contracts. These standard unit rates are a significant unobservable input and reflect an estimate determined by internal staff. An additional estimate relates to the assessed condition of assets, which is used to determine the expected remaining useful life (and accordingly the accumulated depreciation) of assets. Gross replacement cost less accumulated depreciation is considered to reflect fair value. The Open Space asset class was revalued on this basis at 30 June 2021.

### Trees

Fair value of these asset classes is determined on the depreciated replacement cost approach based on replacement costs determined with reference to current third party asset replacement contracts. This incorporates the supply cost, cost of associated base/planting works and establishment costs associated with the initial period after planting. Valuations are undertaken by Council staff.

### Heritage Collections and City Art

Fair value of these asset classes are estimated based on appraisals performed by independent and professionally qualified valuers. These assets are considered to be 'specialised' in nature, and accordingly depreciated replacement cost is utilised as the methodology to determine fair value, consistent with previous revaluations. Replacement cost estimates incorporate unobservable inputs, being an estimated amount that one would expect to pay for the same or similar item in a retail setting from a reputable merchant, or the cost to rebuild/replace with an equivalent asset at the date of valuation. Both asset classes were revalued at 30 June 2021.

### Non-current assets classified as 'held for sale'

The assets classified as 'held for sale' at 30 June 2020 were transferred from the Buildings (non-specialised) and Operational Land classes. For 30 June 2021, only Operational Land and Intangible (transferable rights) assets were classified as held for sale, based on divestment status at balance date. Valuation techniques for Operational Land are consistent with those described above, while Transferable Heritage Floor Space rights are valued at the prevailing market rate at the time of the rights being awarded (i.e. at the time of recognition).

## Highest and best use

The following non-financial assets of Council are being utilised in a manner that does not generate commercial revenue:

### Community based assets

Council undertakes a number of services with the intention of providing community benefits to residents, workers and visitors. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class includes Crown land (and other third-party owned land) under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

### Land Under Roads

Land holdings under the Land Under Roads asset class comprise parcels of land acquired by (or dedicated to) Council after 30 June 2008. The englobo methodology applied to valuations is intended to reflect the inherent restriction on land that is used for the purpose of roads. The continued use of this land for the purposes of road, footpath, cycleway and stormwater drainage (as applicable) is considered to be 'highest and best use'.

## E3-1 Contingencies

### LIABILITIES NOT RECOGNISED

#### 1. Potential benefits to Council

(i) Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount was not quantifiable at balance date.

#### 2. Contractual disputes/Potential claims

i) A contractor undertaking construction project entered liquidation in January 2020, and have failed to pay one of their subcontractors. Council is not liable to the subcontractor, however costs are likely to be associated with terminating the previous contractor and appointing a new contractor to complete the project.

#### 3. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, based on actuarial recommendation, the amount of which is detailed in Note C3-5.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2020, bank guarantees of \$15.253M were held by the SIRA, and the Authority is currently reviewing whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$600,000, are covered by external companies.

#### 4. Infringement Notices/Fines

Fines & Penalty Income, as a result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office. Council's Revenue Recognition policy for such income is to account for it as revenue when the penalty is applied to the extent of expected recovery rates (determined in accordance with past experience).

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid Infringement Notices that are in excess of the accrued revenue recognised in the accounts.

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

#### 6. Proposed Land Transfers between NSW Government Authorities and Council

Council has previously agreed to proceed with a transfer of public assets from NSW Government State Agencies. The completion of these transfers is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

#### 7. Superannuation – Defined Benefits Schemes

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

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

#### 8. Developer Contributions Plans and Planning Agreements

Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 7.11 and 61) and through Voluntary Planning Agreements (VPAs, Section 7.4).

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purposes for which they were levied (per the respective plans and VPAs). These Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or, where a shortfall exists, by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date but represent Council's intention to spend funds in the manner and timing set out in those Plans.



## E3-1 Contingencies (continued)

Planning Agreements may also make provision for the future delivery of assets to Council for dedication as community assets. The delivery of these assets remains contingent upon the developers actioning consent and they are not raised as receivable assets until all contingencies expire.

### 9. Heritage Floor Space - Council Properties

Changes to the Sydney Development Control Plan (2012) made by Council may result in the award of Heritage Floor Space (HFS) to Council, subject to:

- a) Council, in its capacity as property owner, making application for the award of HFS on an eligible building
- b) That application being assessed by Council, in its capacity as statutory authority, as meeting the relevant criteria to allow award of HFS

During 2020/21 financial year, additional HFS awarded in respect of Council-owned property has been registered and is reflected in Note B2-3 and Note C1-10. Further awards on Council-owned properties are possible in future periods, subject to the assessment of the applications.

Valuation of any HFS awarded to/held by Council relies upon on available market evidence of recent sales by holders of HFS to developers.

### 10. Alternative Heritage Floor Space Allocation Scheme

Under Council's Alternative Heritage Floor Space Allocation Scheme, developers provide a bank guarantee for an agreed sum, to enable projects to proceed where the requisite Heritage Floor Space (HFS) allocation has yet to be secured. Should the heritage floor space allocation not be secured by the developer at a specific date, the guarantee will be claimed by Council, with the funds held as restricted assets, pending subsequent re-allocation to heritage works projects within the LGA.

At balance date, bank guarantees were held by Council for ten development sites (totalling \$49.6M). A partial or full claim on the guarantees may be made at a future date, should the respective developers fail to secure the required HFS. Should the HFS be secured, the guarantee/s will be returned and no monetary payment by the developer/s will be required. To date, the City has received payment for twelve developments where HFS was not secured within the requisite timeframe (\$48.2M claimed from bank guarantees). Amounts received via the Alternative Heritage Floor Space Allocation Scheme are held as restricted cash in the Heritage Conservation Fund (refer Note C1-3). A corresponding liability amount, reflecting unearned revenue, is held until suitable projects are identified to utilise the Heritage Conservation Fund in the delivery of heritage renewal projects within Central Sydney. A \$2.1M restoration project has been identified to date, due for completion in 2021/22.



## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	3,969	3,945
Post-employment benefits	387	372
<b>Total</b>	<b>4,356</b>	<b>4,317</b>

#### Other transactions with KMP and their related parties

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

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

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillor expenses – Lord Mayoral fee	223	223
Councillors' fees	407	407
Other Councillors' expenses (including Mayor)	206	171
<b>Total</b>	<b>836</b>	<b>801</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms.		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	217	212
<b>Remuneration for audit and other assurance services</b>	<b>217</b>	<b>212</b>
<b>Total Auditor-General remuneration</b>	<b>217</b>	<b>212</b>
<b>Total audit fees</b>	<b>217</b>	<b>212</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>195,626</b>	105,744
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	122,011	116,623
Net losses/(gains) on disposal of assets	(20,740)	(11,109)
Non-cash capital grants and contributions	(106,748)	(30,347)
Acquisition of heritage floor space rights (via award)	(44,064)	(20,688)
Adoption of AASB 15/1058	–	(91)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	–	(1,260)
– Investment property	(39,004)	(5,230)
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2020)	3	(14)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	2,979	3,860
Increase/(decrease) in provision for impairment of receivables	116	(269)
Decrease/(increase) in inventories	(1)	–
Decrease/(increase) in other current assets	(1,112)	173
Decrease/(increase) in contract assets	(913)	(16,282)
Increase/(decrease) in payables	(1,857)	3,831
Increase/(decrease) in other accrued expenses payable	(1,497)	(9,400)
Increase/(decrease) in other liabilities	8,056	(22,503)
Increase/(decrease) in contract liabilities	33,354	32,983
Increase/(decrease) in provision for employee benefits	(376)	1,692
Increase/(decrease) in other provisions	4,810	(674)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>150,643</b>	147,039

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

Developer contributions 'in kind'	18,735	4,406
Asset transfers arising from Sydney Light Rail project	78,396	3,950
Other dedications and non-cash contributions	9,617	21,991
Award of heritage floor space	44,064	20,688
<b>Total non-cash investing and financing activities</b>	<b>150,812</b>	51,035

## G2-1 Commitments

### Capital commitments (exclusive of GST)

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	18,316	28,556
Infrastructure – Roads, Bridges, Footways, Kerb and Gutter	55,164	28,087
Open Space	18,977	23,113
Plant and equipment	4,956	7,757
Public Art	2,398	1,998
Stormwater Drainage	10,070	10,958
Other	2,950	2,527
<b>Total commitments</b>	<b>112,831</b>	<b>102,996</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	90,796	82,646
Later than one year and not later than 5 years	21,552	20,167
Later than 5 years	483	183
<b>Total payable</b>	<b>112,831</b>	<b>102,996</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	112,831	102,996
<b>Total sources of funding</b>	<b>112,831</b>	<b>102,996</b>

### Details of capital commitments

Capital commitments at balance date comprise purchase orders raised by Council to suppliers for goods/services yet to be delivered at balance date. Subject to fulfilment of contractual obligations by suppliers, Council expects that the committed sums will be paid in accordance with the above timelines and expenditure types

## G3-1 Events occurring after the reporting date

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

## G4 Changes from prior year statements

### G4-1 Changes in accounting policy

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Council made no changes of accounting policy for the reporting periods shown.

### G4-2 Correction of errors

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

### G4-3 Changes in accounting estimates

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#### Nature and effect of changes in accounting estimates on current year

As part of the revaluation of the Community Land and Crown & Third Party Owned Land classes, Council adopted a change in accounting estimates. The change related to an updated valuation methodology.

Previous revaluations of these classes were undertaken internally, utilising NSW Valuer-General (VG) unimproved land value of surrounding land parcels as a basis for calculating a unit rate, which was then applied to the subject park. Exceptions to this methodology were cases where significant parks had evidently provided a valuation benefit to neighbouring sites, (the values of sites within proximity but not affected by the park “premium”, were instead used as reference sites), and in cases of physically restricted sites where nominal or historic values were carried. In addition, a substantial adjustment was made to the book value of Crown & Third Party Owned Land, to reflect a notional 50% discount on the underlying value of these lands, on the basis that while the City controls the assets it cannot control or influence the classification of lands owned by the Crown. In respect of (City-owned) Community Land, Council considered the use of Valuer-General valuations of surrounding land parcels (being the unimproved land value of parcels of substantially similar characteristics) to be appropriately conservative in reflecting any restrictions associated with the land.

Commencing with the comprehensive revaluation of these asset classes in the 2020/21 financial reporting period, an updated methodology was employed. For the first time, an external valuation consultant was engaged to value these land classes. The valuers provided a fair value by individual parcel of land, incorporating the specific characteristics of each. The valuation methodology utilised by the valuers did not make a material allowance in respect of 'restrictions' related to the Crown or Community classifications of the land. Using the assessed market values as a basis, Council then applies a 'discount' to the land classes on the following basis:

- A 50% discount applied to valuer-supplied valuations of Crown and Third Party-owned Land
- A 25% discount applied to valuer-supplied valuations of Council-owned Community Land

The difference in applicable discounts between the two land types is intended to reflect the more onerous restrictions associated with Crown Land parcels which are controlled, but ultimately not owned, by the City.

The more site-specific valuation methodology employed by the valuer provides a more appropriate “base” valuation for individual assets, to which the discount factor was applied. This updated methodology resulted in a valuation decrement for a number of parcels, even prior to the application of a discount factor. This was anticipated, as the previous valuation approach was inherently general in scope, having been undertaken internally with reference to Valuer-General valuations of surrounding parcels. Certain characteristics of the land parcels (particularly physical characteristics) have been more consistently reflected through the use of an external, expert valuer. Given the extent of unobservable inputs associated with the valuations, the financial impact of the change in methodology/estimate is difficult to quantify. However, the revaluation decrements recognised in 2020/21 for these asset classes related to the discount factors detailed above were as follows:

Crown Land: \$3,013.9M decrement  
Community Land: \$831.3M decrement

These adjustments were made against asset revaluation reserves and are reflected in the Statement of Comprehensive Income and the Statement of Changes in Equity. No further changes to methodology are anticipated in future periods, subject to any formal guidance from the OLG or AASB.

#### Nature and effect of changes in accounting estimates on future years

The updated methodology will remain in place for these asset classes until such time as additional guidance and/or changes to accounting standard are issued.

## G5 Statement of developer contributions as at 30 June 2021

## G5-1 Summary of developer contributions

	as at 30/6/20			as at 30/6/2021				
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure/ asset received during year	Internal Borrowing to/(from)	Held as restricted asset <sup>4</sup>	Cumulative internal borrowings (due)/payable
<b>\$ '000</b>								
Community facilities	-	517	-	-	(1,020)	536	32	23,092
Open space	42,715	1,850	1,718	-	(55,723)	9,660	221	(37,835)
Stormwater drainage	1,311	118	176	-	(1,685)	83	2	25,022
Traffic and transport	11,848	318	224	-	(2,060)	(10,279)	52	(10,279)
<b>Total section 7.11 revenue under plans<sup>1</sup></b>	<b>55,874</b>	<b>2,803</b>	<b>2,119</b>	<b>-</b>	<b>(60,489)</b>	<b>-</b>	<b>307</b>	<b>-</b>
Section 7.4 planning agreements - public benefits <sup>2</sup>	65,625	1,361	16,616	241	(15,343)	-	68,499	
Section 61 contributions <sup>3</sup>	-	18,044	-	-	(18,044)	-	-	
<b>Total contributions</b>	<b>121,499</b>	<b>22,208</b>	<b>18,734</b>	<b>241</b>	<b>(93,876)</b>	<b>-</b>	<b>68,806</b>	<b>-</b>
<i>Comprising:</i>								
<b>Cash contribution movement</b>	<b>84,820</b>	<b>22,090</b>		<b>241</b>	<b>(76,249)</b>	<b>-</b>	<b>30,903</b>	<b>-</b>
Section 7.11	52,362	2,803		-	(55,165)	-	-	-
Section 7.4	32,458	1,243		241	(3,040)	-	30,903	
Section 61	-	18,044		-	(18,044)	-	-	
<b>Contribution receivable movement</b>	<b>36,678</b>	<b>118</b>	<b>18,734</b>		<b>(17,627)</b>	<b>-</b>	<b>37,903</b>	
Section 7.11	3,512	-	2,119		(5,323)	-	307	
Section 7.4	33,166	118	16,616		(12,304)	-	37,596	
<b>Total contributions</b>	<b>121,499</b>	<b>22,208</b>	<b>18,734</b>	<b>241</b>	<b>(93,876)</b>	<b>-</b>	<b>68,806</b>	<b>-</b>

<sup>1</sup> Section 7.11 of the *Environmental Planning and Assessment Act 1979*. City of Sydney operates only one section 7.11 contributions plan (the City of Sydney Developer Contributions Plan 2015). Under the *Environmental Planning and Assessment Act 1979*, Council levies contributions towards provision or improvement of amenities or services infrastructure associated with development. 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.

<sup>2</sup> Section 7.4 of the *Environmental Planning and Assessment Act 1979*.

<sup>3</sup> Section 61 of the *City of Sydney Act 1988*.

<sup>4</sup> Restricted assets comprise unspent cash contributions and works-in-kind/cash contributions receivable that have been secured by bank guarantee/security deposit

## G5–1 Summary of developer contributions (continued)

### Voluntary Planning Agreements

Planning agreements (also commonly referred to as VPAs) are voluntary agreements entered into by the City and a developer to deliver public benefits.

These may include the dedication of land to Council, monetary contributions, public infrastructure, community facilities, affordable housing, any other material public benefit or any combination of these.

In respect of monetary contributions, the VPA documents detail the particular purpose for which the contributions are to be utilised. Council monitors receipts and expenditure by purpose, and any funds yet to be expended on nominated works are held as restricted assets.

### Summary of VPA monetary contribution expenditure

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Monetary contributions expended during year – by purpose</b>		
Alexandria precinct local area traffic management	524	780
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	1,200	5,500
New roads infrastructure in the Ashmore precinct, Erskineville	720	100
New greenway and public park works, Rosebery	596	1,450
New cycleway construction – Wilson and Burren Street and Green Square to Randwick	-	473
<b>Total expenditure - VPA monetary contributions</b>	<b>3,040</b>	<b>8,303</b>

### Summary of Unspent VPA monetary contributions

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Unspent Monetary Contributions (held as restricted cash) – by purpose (as described in the VPA):</b>		
Alexandria precinct local area traffic management	-	524
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	4,278	4,995
New greenway and public park works, Rosebery	4,274	4,836
Rosebery area works	359	356
New roads infrastructure in the Ashmore precinct, Erskineville	1,181	1,892
CBD Laneways (Dalley & Underwood) and surrounding public domain	3,163	3,139
Public domain enhancement in Bridge/Loftus St vicinity (CBD)	6,424	6,373
Macquarie Place upgrade	1,476	1,465
Broadway Gateways	163	162
Stormwater works - Rushcutters Bay catchment	488	484
City East PCTC works	256	254
Ultimo Local Area Traffic Management	865	858
Chippendale community facility(s)	3,877	3,847
Public domain works - Sydney University to Redfern Station	2,690	2,669
Community infrastructure	200	605
Harbour Walk public art program	1,209	-
	<b>30,903</b>	<b>32,458</b>

## G6 Statement of performance measures

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

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
<b>1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	33,079	5.14%	0.29%	6.01%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions	643,390				
<b>1a. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1</sup>	(8,023)	(1.25)%	0.51%	(4.16)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	643,390				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	619,319	78.58%	85.78%	89.08%	> 60.00%
Total continuing operating revenue <sup>1</sup>	788,091				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	561,497				
Current liabilities less specific purpose liabilities	142,321	3.95x	4.35x	3.15x	> 1.50x
<b>3a. Unrestricted current ratio (less internal and external restrictions)</b>					
Current assets less all external and internal restrictions	354,497	3.32x	3.72x	2.64x	> 1.50x
Current liabilities less specific purpose liabilities	106,711				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation	114,242				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	442	258.47x	322.85x	0.00x	> 2.00x
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	8,167				
Rates and annual charges collectable	378,224	2.16%	2.35%	1.30%	< 5.00%
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	539,051	10.84	9.43	8.51	> 3.00
Monthly payments from cash flow of operating and financing activities	49,746	mths	mths	mths	mths

(1) Continuing operating revenue also excludes fair value adjustments and reversal of revaluation decrements, and net gain/(loss) on sale of assets.

(2) Operating Performance Ratio 1 above excludes the operating expenditure impact of Council's contribution to Transport for NSW for the CBD to South East Light Rail Project (refer Note B3-2). Ratio 1a. is prepared in accordance with the OLG Code of Accounting Practice.

(3) Refer Notes C1-1 - C1-7 and C1-11.

(4) Refer to Notes C3-2, C3-1 and C3-5.

(5) Refer to Notes C3-2, C3-1 and C3-5 – also excludes all payables and provisions not expected to be paid in the next 12 months (incl. Employee Leave Entitlements).



## G6-1 Statement of performance measures – consolidated results (continued)

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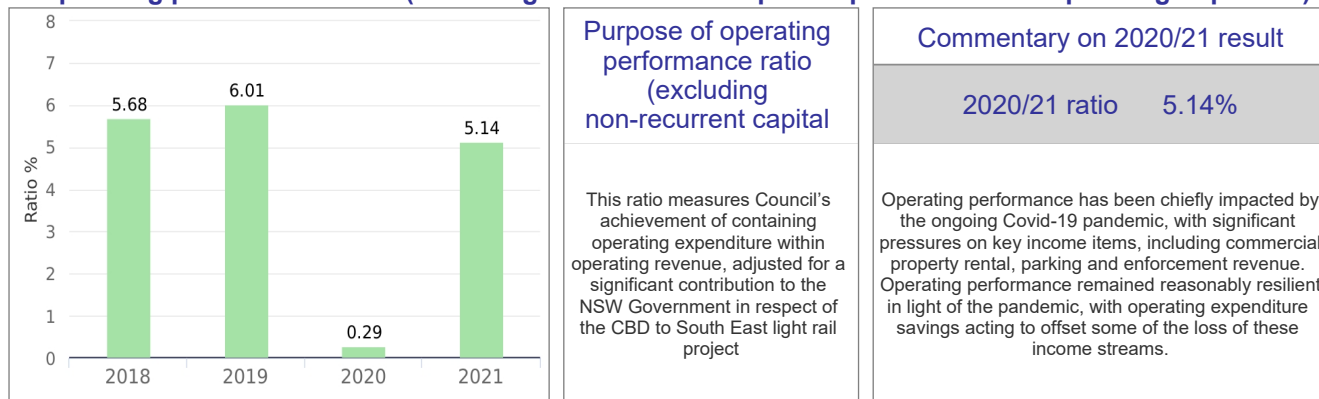
**END OF AUDITED FINANCIAL STATEMENTS** (Additional (non-audited) disclosure included at H1-1)

## H Additional Council disclosures (unaudited)

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

The charts presented below graphically present Council's performance measure results over time. Whilst this additional disclosure is not subject to audit, the results presented reflect audited ratio calculations (refer Note 31a).

#### 1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)



**Purpose of operating performance ratio (excluding non-recurrent capital**

This ratio measures Council's achievement of containing operating expenditure within operating revenue, adjusted for a significant contribution to the NSW Government in respect of the CBD to South East light rail project

**Commentary on 2020/21 result**

2020/21 ratio 5.14%

Operating performance has been chiefly impacted by the ongoing Covid-19 pandemic, with significant pressures on key income items, including commercial property rental, parking and enforcement revenue. Operating performance remained reasonably resilient in light of the pandemic, with operating expenditure savings acting to offset some of the loss of these income streams.

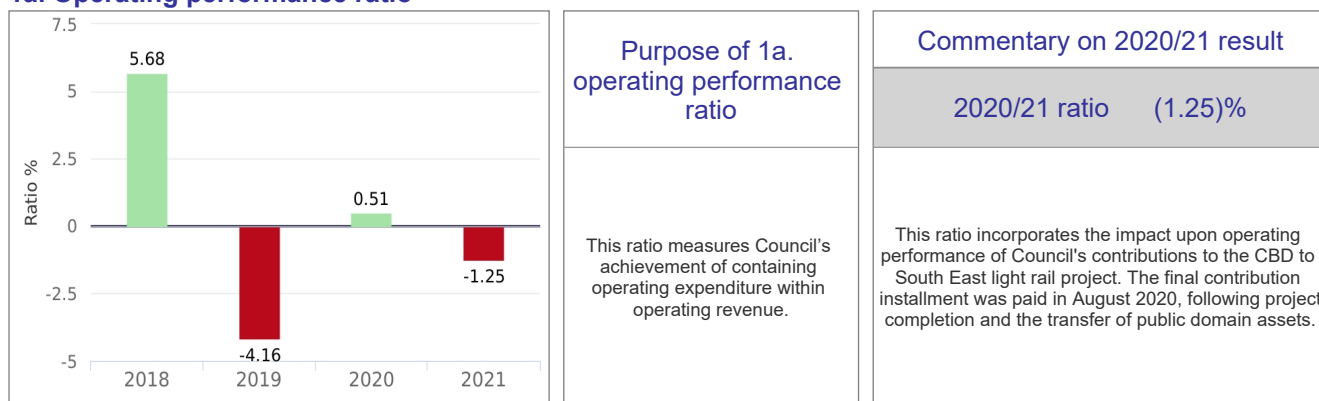
Benchmark: — > 0.00%

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

#### 1a. Operating performance ratio



**Purpose of 1a. operating performance ratio**

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

**Commentary on 2020/21 result**

2020/21 ratio (1.25)%

This ratio incorporates the impact upon operating performance of Council's contributions to the CBD to South East light rail project. The final contribution installment was paid in August 2020, following project completion and the transfer of public domain assets.

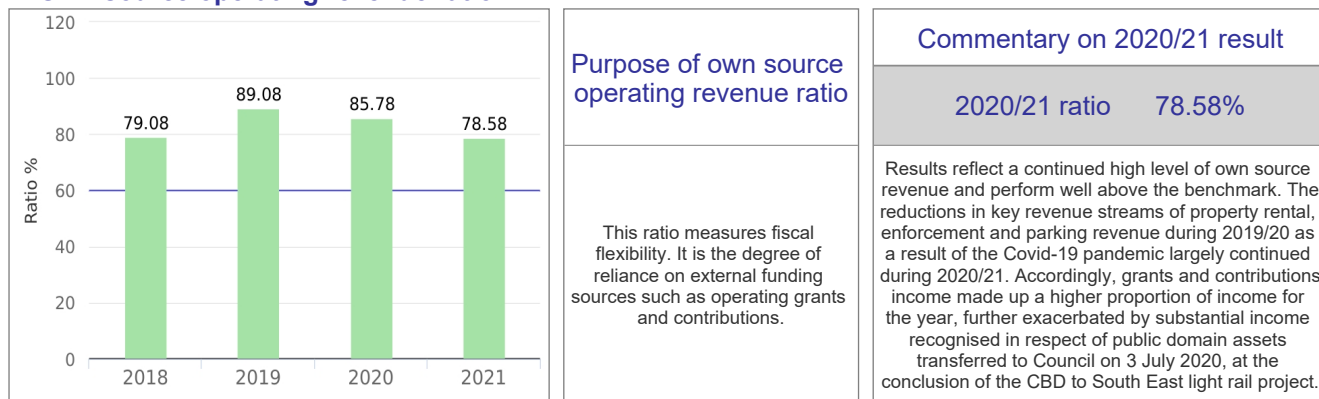
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2020/21 result**

2020/21 ratio 78.58%

Results reflect a continued high level of own source revenue and perform well above the benchmark. The reductions in key revenue streams of property rental, enforcement and parking revenue during 2019/20 as a result of the Covid-19 pandemic largely continued during 2020/21. Accordingly, grants and contributions income made up a higher proportion of income for the year, further exacerbated by substantial income recognised in respect of public domain assets transferred to Council on 3 July 2020, at the conclusion of the CBD to South East light rail project.

Benchmark: — > 60.00%

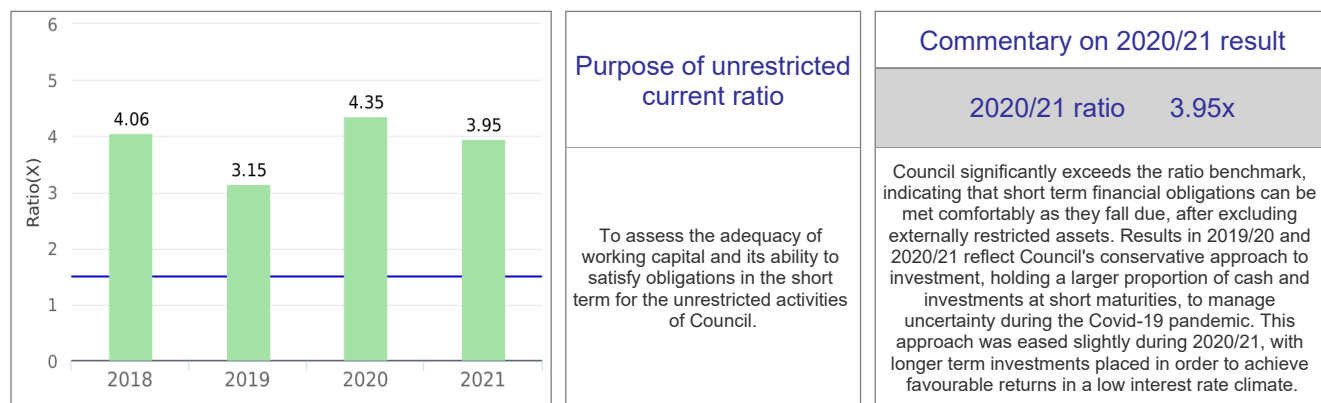
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio

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

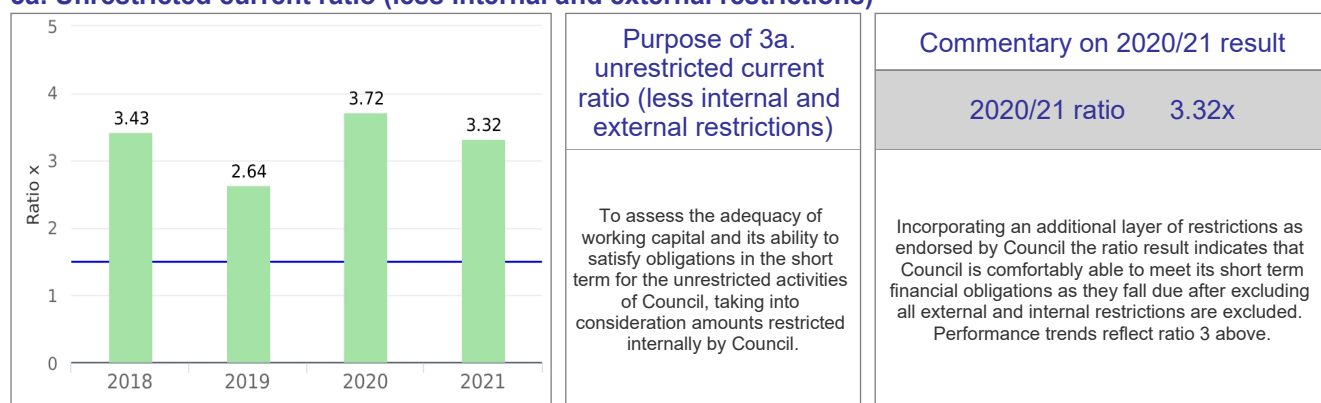


Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

### 3a. Unrestricted current ratio (less internal and external restrictions)

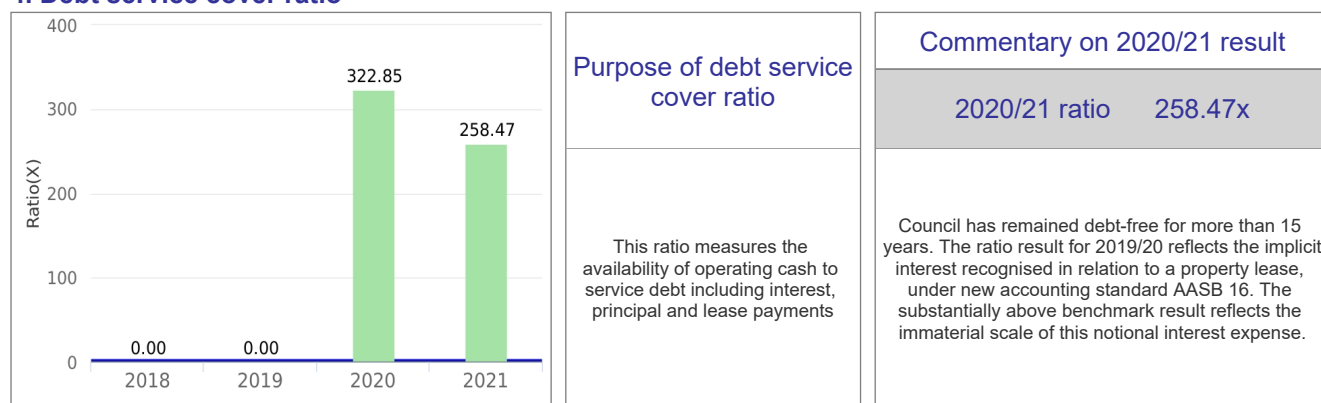


Benchmark: — > 1.50x

Source of benchmark:

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

### 4. Debt service cover ratio



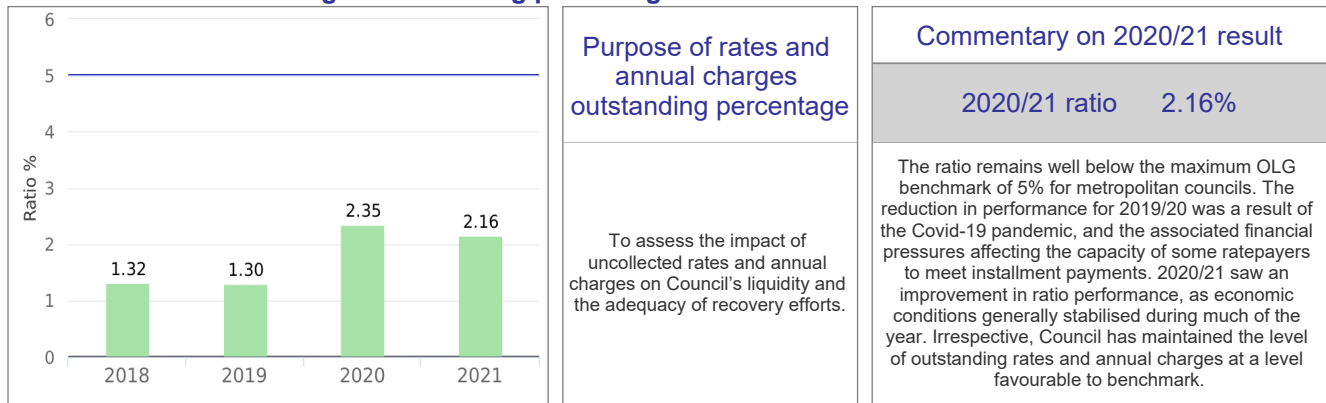
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

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

### 5. Rates and annual charges outstanding percentage



**Purpose of rates and annual charges outstanding percentage**

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

**Commentary on 2020/21 result**

**2020/21 ratio 2.16%**

The ratio remains well below the maximum OLG benchmark of 5% for metropolitan councils. The reduction in performance for 2019/20 was a result of the Covid-19 pandemic, and the associated financial pressures affecting the capacity of some ratepayers to meet installment payments. 2020/21 saw an improvement in ratio performance, as economic conditions generally stabilised during much of the year. Irrespective, Council has maintained the level of outstanding rates and annual charges at a level favourable to benchmark.

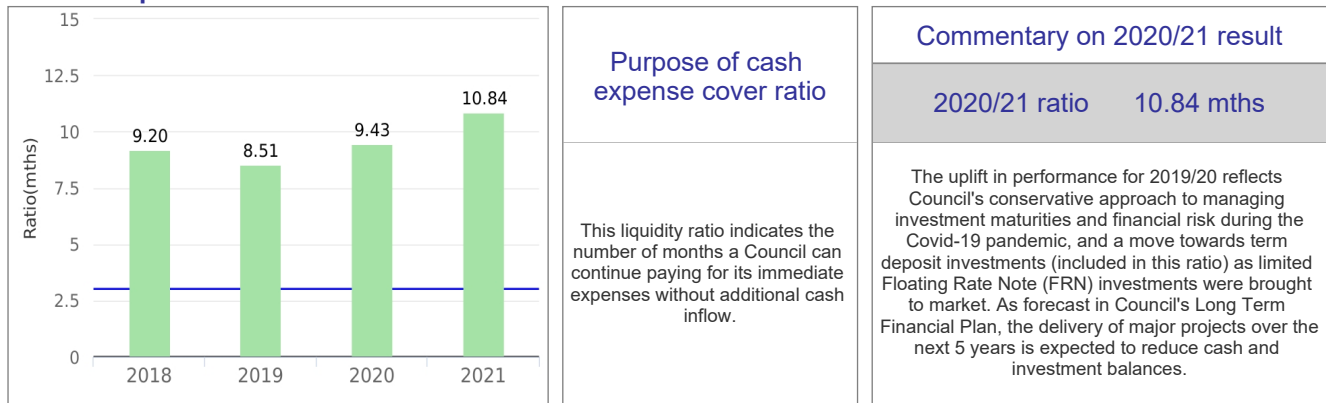
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2020/21 result**

**2020/21 ratio 10.84 mths**

The uplift in performance for 2019/20 reflects Council's conservative approach to managing investment maturities and financial risk during the Covid-19 pandemic, and a move towards term deposit investments (included in this ratio) as limited Floating Rate Note (FRN) investments were brought to market. As forecast in Council's Long Term Financial Plan, the delivery of major projects over the next 5 years is expected to reduce cash and investment balances.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Council of the City of Sydney**

To the Councillors of the Council of the City of Sydney

## Opinion

I have audited the accompanying financial statements of the Council of the City of Sydney (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, 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 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Margaret Crawford  
Auditor-General for New South Wales

21 October 2021  
SYDNEY



Clover Moore  
 Lord Mayor  
 Council of the City of Sydney  
 Town Hall House  
 Level 2, 456 Kent Street  
 SYDNEY NSW 2000

Contact: Margaret Crawford  
 Phone no: 02 9275 7101  
 Our ref: D2120640/1791

21 October 2021

Dear Lord Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2021  
 Council of the City of Sydney**

I have audited the general purpose financial statements (GPFS) of the Council of the City of Sydney (the Council) for the year ended 30 June 2021 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 2021 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**

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	369.4	360.5	↑ 2.5
Grants and contributions revenue	168.8	101.6	↑ 66.1
Operating result from continuing operations	195.6	105.7	↑ 85.1
Net operating result before capital grants and contributions	50.9	19.4	↑ 162.4



Rates and annual charges revenue (\$369.4 million) increased by \$8.8 million (2.5 per cent) in 2020–21 due to the annual rate peg increase applied to ordinary rates (2.6 per cent) and increased charges from the domestic waste service review.

Grants and contributions revenue (\$168.8 million) increased by \$67.2 million (66.1 per cent) in 2020–21 mainly due to:

- the recognition of new assets arising from the Sydney Light Rail Project amounting to \$78.4 million, and
- decrease in section 7.11 of the Environmental Planning and Assessment Act 1979 (EP&A Act) cash developer contributions towards amenities/services by \$15.2 million.

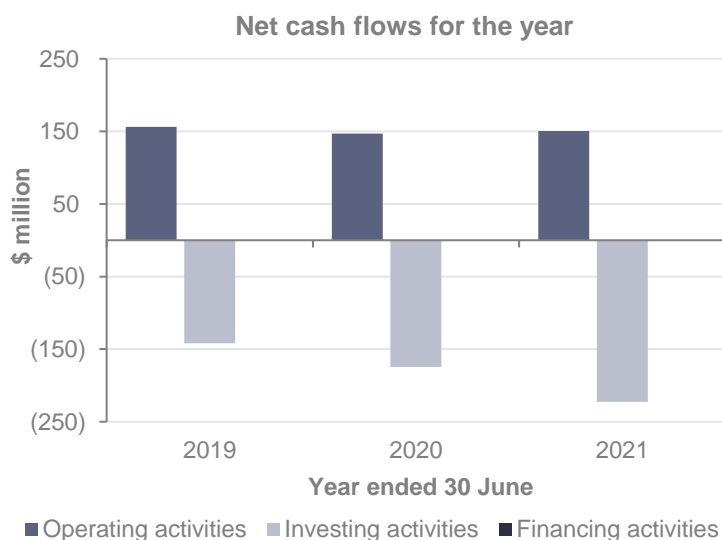
The Council's operating result from continuing operations (\$195.6 million) was \$89.9 million higher than the 2019–20 result. This increase was mainly attributable to the following:

- increase in grants and contributions revenue by \$67.2 million as described above
- increase in other revenue by \$15.2 million as a result of the Council being awarded with heritage floor space rights for the QVB and Haymarket Library during the year
- increase in other income by \$28.8 million largely due to the fair value increment recognised on the Council's investment properties
- decrease in employee benefits and on-costs by \$18.8 million due to permanent vacancies and slowdown in recruitment caused by the COVID-19 pandemic
- increase in materials and services expenses by \$33.5 million caused by the final milestone payment to Transport for New South Wales for the delivery of the CBD and South East Sydney Light Rail project.

The net operating result before capital grants and contributions (\$50.9 million) was \$31.5 million higher than the 2019–20 result.

## STATEMENT OF CASH FLOWS

- The Council reported a decrease in cash and cash equivalents from \$123.4 million at 30 June 2020 to \$51.1 million at 30 June 2021.
- Cash outflows from investing activities increased by \$48.5 million due to an increase in the acquisition of term deposits by \$59.3 million, increase in net purchase of infrastructure, property, plant and equipment by \$19.9 million, offset by cash receipts of \$31.7 million from the sale of Heritage floor space rights.
- Operating cash inflows have remained stable over the past three years.
- The Council has no significant financing activities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>655.3</b>	<b>632.8</b>	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease by \$29.2 million is primarily due to a decrease in available cash balance relating to developer contributions.</li> </ul>
Restricted cash and investments:			
• External restrictions	87.4	116.6	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease is mainly due to payments made from the City centre transformation reserve.</li> </ul>
• Internal restrictions	313.4	328.7	

## 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

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

The Council met the OLG benchmark for the current reporting period (after adjusting for contributions to the Sydney Light Rail project)

Positive operating performance was due to operating expenditure savings and increased operating grants received for community and recreation in light of COVID-19 pandemic.

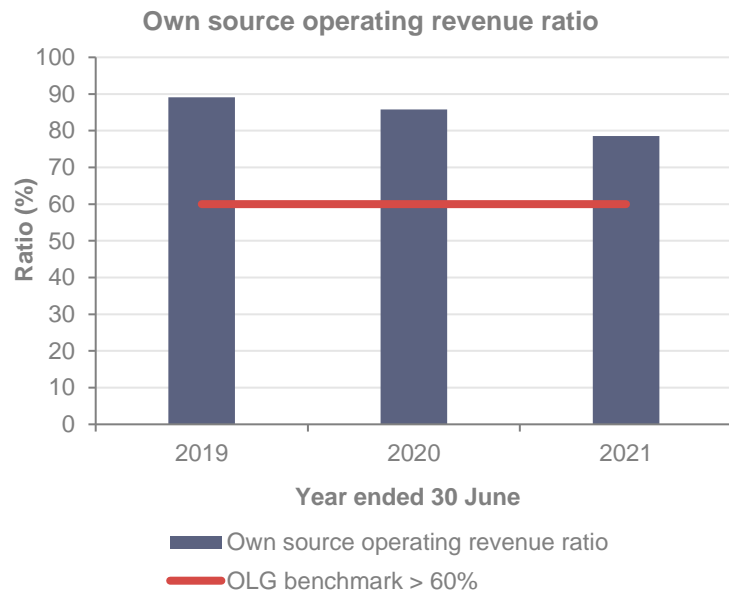


### Own source operating revenue ratio

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

The Council continues to exceed the OLG benchmark. The ratio fluctuates with movements in grants and contributions.

The ratio continued to decrease in 2020–21 due to reductions in key revenue streams including property rental and income from the COVID-19 pandemic. The increased contributions from the Sydney Light Rail project also impacted this ratio.

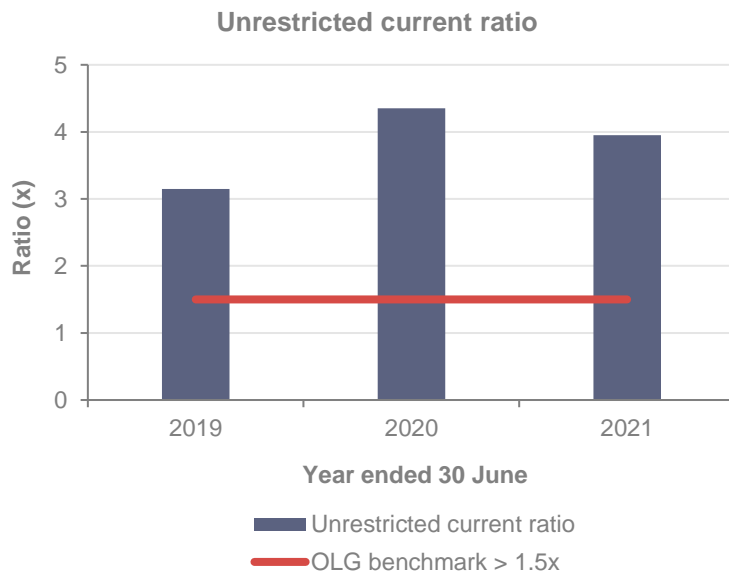


### Unrestricted current ratio

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

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

Ratios in 2020 and 2021 reflect Council's approach to investment activity, by holding a larger proportion of cash and investments with short-term maturities to manage uncertainty during the COVID-19 pandemic. This approach was slightly eased during 2021, with the acquisition of longer-term investments.



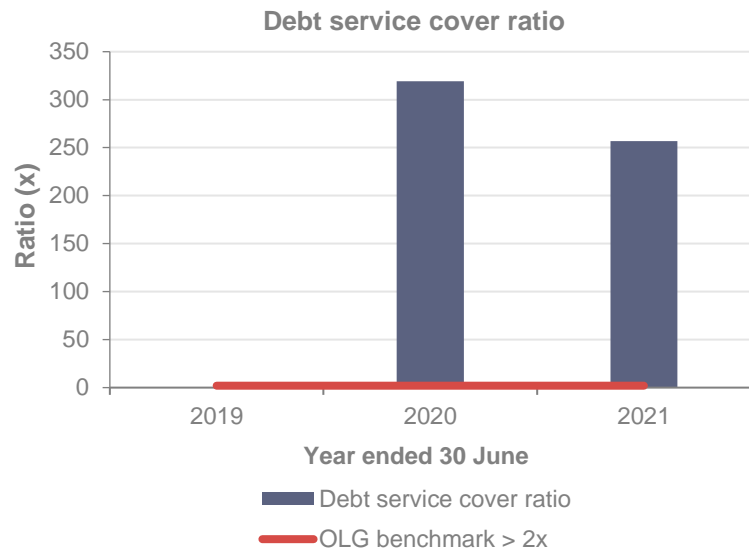
### Debt service cover ratio

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

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

The Council continues to have no debt and holds adequate operating surpluses and cash reserves to meet its delivery program.

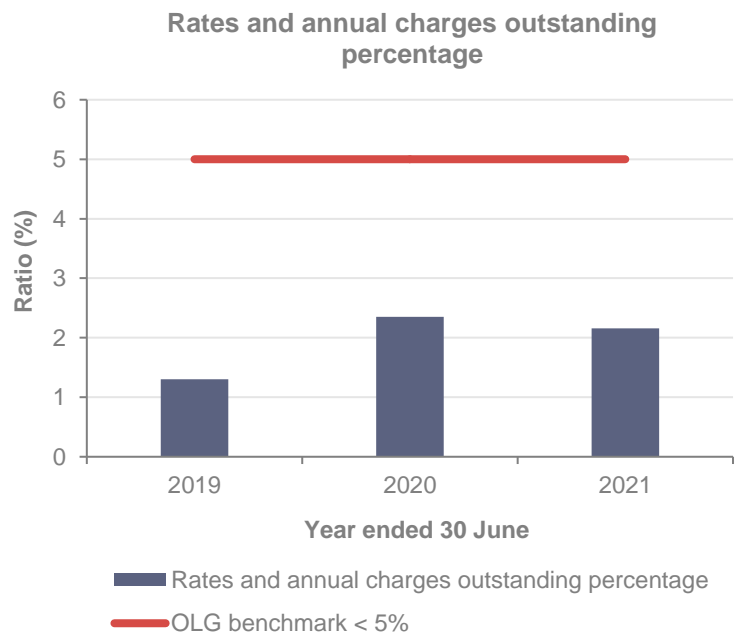
The ratio reflects the implicit interest recognised in relation to a property lease under the accounting standard AASB16 'Leases'.



### Rates and annual charges outstanding percentage

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

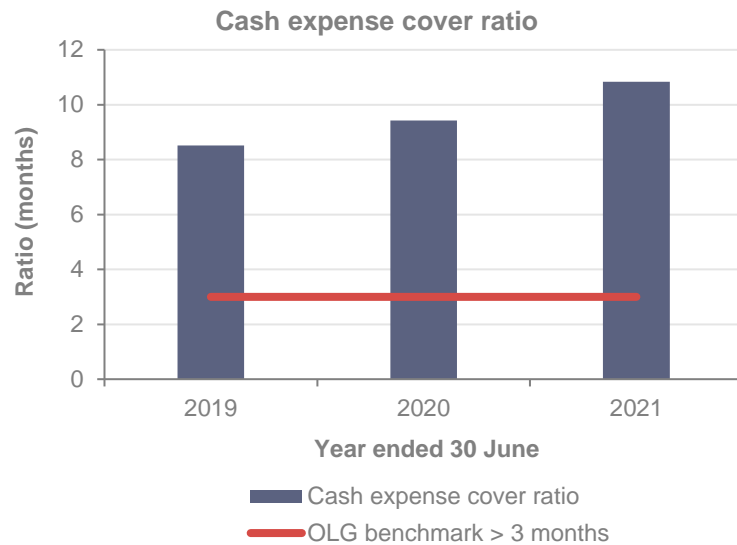
The Council's rates and annual charges outstanding ratio has remained below the OLG benchmark level of 'less than 5 per cent' over the last three years.



## Cash expense cover ratio

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

The Council continues to meet the benchmark due to operating surpluses and cash reserves.



## Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$62.6 million in 2020–21 compared to \$46.8 million the prior year. The increase is primarily due to capital renewal programs for road, property assets, and open space and parks.
- during 2020–21, \$297.1 million of new and upgraded assets were acquired, including \$76.5 million for the purchase of operational land. \$20.6 million poles/lighting assets, \$18.5 million of stormwater drainage assets and \$48.7 million of roads infrastructure assets were also acquired, substantially through the transfer of assets from Transport for NSW at the conclusion of the Sydney Light Rail Project.

## OTHER MATTERS

### Legislative compliance

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

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

Margaret Crawford  
Auditor-General for New South Wales

cc: Monica Barone, Chief Executive Officer  
Carolyn Walsh, Chair of Audit, Risk and Compliance Committee  
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

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# Special Purpose Financial Statements

Annual Report  
2020/2021



# Council of the City of Sydney

## Special Purpose Financial Statements

for the year ended 30 June 2021

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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).



# Council of the City of Sydney

## Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 18 October 2021.**



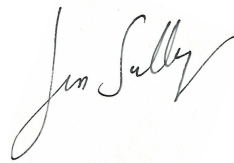
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**Clover Moore**  
**Lord Mayor**  
18 October 2021



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**Monica Barone**  
**Chief Executive Officer**  
18 October 2021



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**Jess Scully**  
**Councillor**  
18 October 2021



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**Bill Carter**  
**Responsible Accounting Officer**  
18 October 2021

## Council of the City of Sydney

### Income Statement of Parking Stations

for the year ended 30 June 2021

<b>\$ '000</b>	<b>2021</b> <b>Category 1</b>	<b>2020</b> <b>Category 1</b>
<b>Income from continuing operations</b>		
User charges	7,242	7,893
<b>Total income from continuing operations</b>	<b>7,242</b>	<b>7,893</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	178	189
Materials and services	1,289	1,379
Depreciation, amortisation and impairment	886	878
Calculated taxation equivalents	109	110
Other expenses	1,577	1,679
<b>Total expenses from continuing operations</b>	<b>4,039</b>	<b>4,235</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,203</b>	<b>3,658</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,203</b>	<b>3,658</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,203</b>	<b>3,658</b>
Less: corporate taxation equivalent [based on result before capital]	(833)	(1,006)
<b>Surplus (deficit) after tax</b>	<b>2,370</b>	<b>2,652</b>
<b>Plus accumulated surplus</b>	<b>96,153</b>	<b>92,385</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	109	110
– Corporate taxation equivalent	833	1,006
<b>Closing accumulated surplus</b>	<b>99,465</b>	<b>96,153</b>
<b>Return on capital %</b>	<b>3.1%</b>	<b>3.9%</b>

## Council of the City of Sydney

### Statement of Financial Position of Parking Stations

as at 30 June 2021

<b>\$ '000</b>	<b>2021</b> <b>Category 1</b>	<b>2020</b> <b>Category 1</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	105	81
<b>Total current assets</b>	<b>105</b>	<b>81</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	102,080	94,165
Inter-Entity Debtor	89,264	85,542
<b>Total non-current assets</b>	<b>191,344</b>	<b>179,707</b>
<b>Total assets</b>	<b>191,449</b>	<b>179,788</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	549	1,000
Employee benefit provisions	59	60
<b>Total current liabilities</b>	<b>608</b>	<b>1,060</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	20	19
<b>Total non-current liabilities</b>	<b>20</b>	<b>19</b>
<b>Total liabilities</b>	<b>628</b>	<b>1,079</b>
<b>Net assets</b>	<b>190,821</b>	<b>178,709</b>
<b>EQUITY</b>		
Accumulated surplus	99,465	96,154
Revaluation reserves	91,356	82,555
<b>Total equity</b>	<b>190,821</b>	<b>178,709</b>

## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1 - business activities with gross operating turnover more than \$2 million

**Parking Stations** - Operation of the Goulburn Street and Kings Cross Parking Stations

#### Taxation equivalent charges

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

#### Notional rate applied (%)

Corporate income tax rate – **26%** (19/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

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

#### Income tax

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

## Note – Significant Accounting Policies (continued)

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%.

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 26% is the equivalent company tax rate prevalent at reporting date.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

#### (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’.

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

#### (iii) Dividends

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

**END OF AUDITED FINANCIAL STATEMENTS**



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Council of the City of Sydney**

To the Councillors of the Council of the City of Sydney

## Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Council of the City of Sydney's (the Council) Declared Business Activity, Parking Stations, which comprise the Statement by Councillors and Management, the Income Statement of Parking Stations for the year ended 30 June 2021, the Statement of Financial Position of Parking Stations as at 30 June 2021 and the Significant accounting policies note.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2021, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

## Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 October 2021  
SYDNEY





# Special Schedules

Annual Report  
2020/2021





# Council of the City of Sydney

## Special Schedules

for the year ended 30 June 2021

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#### **Special Schedules:**

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## Council of the City of Sydney

## Permissible income for general rates

\$'000		<b>Calculation 2021/22</b>	<b>Calculation 2020/21</b>
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	315,286	305,065
Plus or minus adjustments <sup>(2)</sup>	b	(931)	1,471
<b>Notional general income for the previous year</b>	<b>c = (a + b)</b>	<b>314,354</b>	<b>306,536</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
or Rate peg percentage	e	2.00%	2.60%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less Expiring special variation amount		—	—
Plus Special variation amount		—	—
or Plus Rate peg amount		6,287	7,970
or Plus Crown land adjustment and rate peg amount		—	—
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>320,641</b>	<b>314,506</b>
Plus (or minus) last year's result	l	—	—
Less one-off shortfall catch-up claimed in the previous year	m	—	—
Less unrecovered amounts claimed in the previous year	n	(1,794)	(1,013)
<b>Sub-total</b>	<b>o = k + l + m + n</b>	<b>318,847</b>	<b>313,493</b>
Plus one-off catch-up of previous years' shortfall <sup>(4)</sup>	p	—	—
Plus catch-up of unrecovered amounts <sup>(5)</sup>	q	415	1,794
Less unused catch-up <sup>(6)</sup>	r	—	—
<b>Maximum General Income Permissible</b>	<b>s = o + p + q + r</b>	<b>319,261</b>	<b>315,286</b>
Less notional general income yield	t	319,261	315,286
<b>Catch-up or (excess) result <sup>(7)</sup></b>	<b>u = s - t</b>	<b>—</b>	<b>—</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. Adjustments include 'supplementary valuations' as defined in the *Valuation of Land Act 1916* and estimate valuation changes, as allowed under s509(2)(b) and s509(2)(c) of the *Local Government Act 1993*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) The catch-up of a previous year shortfall in general income is allowed under section 511 of the *Local Government Act, 1993*.
- (5) Councils can claim the value of the permissible income unable to be recovered or retained due to reductions in valuations issued by the Valuer-General, as allowed under section 511A of the *Local Government Act 1993*.
- (6) Unused catch-up amounts will be deducted if they are not caught up within 10 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (7) Excess results 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 Special Schedule 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Council of the City of Sydney

To the Councillors of the Council of the City of Sydney

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Council of the City of Sydney (the Council) for the year ending 30 June 2022.

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 2020–21 (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 2021 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 and special purpose financial statements.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

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

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

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

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

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



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 October 2021  
SYDNEY

## Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance <sup>c</sup>	2020/21 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard <sup>a</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>					2020/21 Required maintenance <sup>c</sup>	2020/21 Actual maintenance <sup>c</sup>	1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
Buildings	Buildings – non-specialised	10,333	33,028	34,939	34,360	1,565,174	1,979,081	8.3%	78.4%	13.2%	0.1%	0.0%		
	Buildings – specialised <sup>e</sup>	5,078	2,284	1,908	1,836	27,060	49,345	28.5%	21.1%	20.7%	28.7%	1.0%		
	<b>Sub-total</b>	<b>15,411</b>	<b>35,312</b>	<b>36,847</b>	<b>36,196</b>	<b>1,592,234</b>	<b>2,028,426</b>	<b>8.8%</b>	<b>77.0%</b>	<b>13.4%</b>	<b>0.8%</b>	<b>0.0%</b>		
Roads	Sealed roads – surface	508	1,189	3,088	3,366	158,558	238,207	5.3%	34.7%	56.8%	3.0%	0.2%		
	Sealed roads – structure	4,519	5,649	174	165	476,803	537,895	37.8%	43.1%	15.8%	2.4%	0.9%		
	Bridges	–	–	145	138	57,869	106,442	23.8%	38.1%	35.7%	2.4%	0.0%		
	Footpaths	2,038	4,725	5,010	5,256	377,057	575,945	8.7%	23.3%	64.6%	3.1%	0.3%		
	Kerb and gutter	3,145	6,336	1,234	1,171	205,601	329,172	4.5%	35.0%	50.6%	8.9%	1.0%		
	Other road infrastructure assets <sup>f</sup>	700	700	112	107	14,538	48,656	5.9%	29.0%	57.9%	7.2%	0.0%		
	<b>Sub-total</b>	<b>10,910</b>	<b>18,599</b>	<b>9,763</b>	<b>10,203</b>	<b>1,290,426</b>	<b>1,836,317</b>	<b>16.8%</b>	<b>33.7%</b>	<b>44.9%</b>	<b>4.0%</b>	<b>0.6%</b>		
Stormwater drainage	Stormwater drainage	9,650	9,650	2,854	1,938	301,794	436,117	18.5%	58.8%	15.9%	4.4%	2.4%		
	<b>Sub-total</b>	<b>9,650</b>	<b>9,650</b>	<b>2,854</b>	<b>1,938</b>	<b>301,794</b>	<b>436,117</b>	<b>18.5%</b>	<b>58.8%</b>	<b>15.9%</b>	<b>4.4%</b>	<b>2.4%</b>		
Open space / recreational assets	Open Space Assets	11,044	11,071	17,029	19,326	277,786	661,553	8.5%	15.9%	61.5%	12.8%	1.3%		
	<b>Sub-total</b>	<b>11,044</b>	<b>11,071</b>	<b>17,029</b>	<b>19,326</b>	<b>277,786</b>	<b>661,553</b>	<b>8.5%</b>	<b>15.9%</b>	<b>61.5%</b>	<b>12.8%</b>	<b>1.3%</b>		
<b>Total – all assets</b>		<b>47,015</b>	<b>74,632</b>	<b>66,493</b>	<b>67,663</b>	<b>3,462,240</b>	<b>4,962,413</b>	<b>12.6%</b>	<b>51.2%</b>	<b>31.7%</b>	<b>3.9%</b>	<b>0.6%</b>		

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2021 (continued)

### Notes:

a **Estimated Cost to Bring To Satisfactory Standard** per Office of Local Government Requirements, reflects the estimated cost to restore all Council assets to condition '3' or better. These cost (and asset condition) assessments remain highly subjective, as in previous years

b **Estimated Cost to Bring to the Agreed Level of Service Set by Council** reflects the estimated cost to restore all assets assessed to be at a condition beneath Council's minimum service levels. These standards (i.e. target conditions) are detailed in Council's Asset Management Strategy, and reflect the strategy of maximising the consumption of assets' service potential before renewal works are undertaken.

c Maintenance costs, per Office of Local Government Requirements, include both maintenance and (appropriate) operational costs  
*Required* maintenance reflects amounts identified within Asset Management Plans for the respective classes, and equivalent expenditure types are included within the 'Actual' column.

d Carrying Value reflects the asset value by class, per Note C1-8 of the General Purpose Financial Statements.

e The proportion of Specialised Buildings assessed as condition 4 is distorted by the inclusion of the Sydney Park Brick Kilns, assessed to be in a "poor" condition. This asset represents a disproportionate share of the small 'Specialised Buildings' class.

f 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)

### Infrastructure asset condition assessment 'key'

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



## Council of the City of Sydney

### Report on infrastructure assets as at 30 June 2021

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

\$ '000	<b>Amounts 2021</b>	<b>Indicator 2021</b>	<b>Indicators</b>		<b>Benchmark</b>
			2020	2019	
<b>1. Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>53,853</b>	<b>61.54%</b>	51.17%	57.28%	>= 100.00%
Depreciation, amortisation and impairment	<b>87,510</b>				
<b>1a. Buildings and infrastructure renewals ratio (alternate) <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>53,853</b>	<b>75.98%</b>	63.52%	64.46%	> 100.00%
Required asset renewal (per adopted asset management strategy)	<b>70,875</b>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>47,015</b>	<b>1.36%</b>	1.69%	1.98%	< 2.00%
Net carrying amount of infrastructure assets	<b>3,462,240</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>67,663</b>	<b>101.76%</b>	99.07%	99.93%	> 100.00%
Required asset maintenance	<b>66,493</b>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>74,632</b>	<b>1.50%</b>	1.86%	1.31%	
Gross replacement cost	<b>4,962,413</b>				

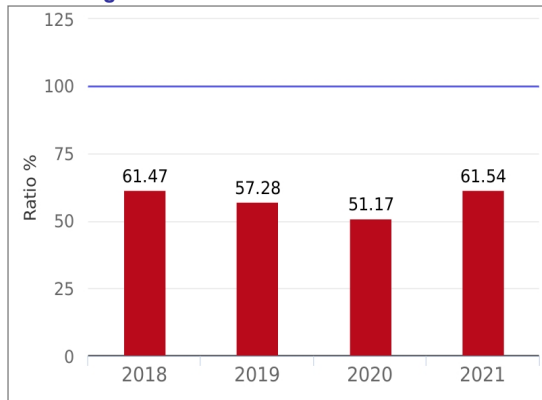
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2021

### 1. Buildings and infrastructure renewals ratio



**Purpose of 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 2020/21 result**

**2020/21 ratio 61.54%**

Delivery of renewal projects progressed more quickly in 2020/21 than prior years. Measures were implemented in late 2019/20 to 'fast-track' certain renewal works in order to provide economic stimulus, which had a positive effect on ratio performance. Depreciation expense also increased for 2020/21, as a result of asset value indexation of infrastructure and open space assets at 30 June 2020.

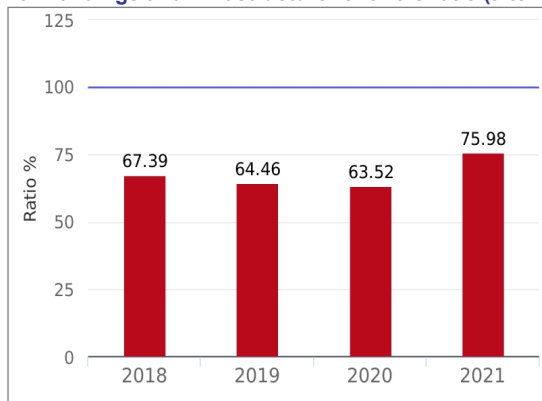
Benchmark: —  $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 1a. Buildings and infrastructure renewals ratio (alternate)



**Purpose of 1a. buildings and infrastructure renewals ratio (alternate)**

To assess the rate at which these assets are being renewed relative to the required level of renewal identified in Council's Asset Management Plan.

**Commentary on 2020/21 result**

**2020/21 ratio 75.98%**

Required renewal reflects projections included in the Asset Management Plan (part of the Resourcing Strategy). As noted for ratio 1 above, delivery of renewal projects progressed more quickly in 2020/21 than prior years. Measures were implemented in late 2019/20 to 'fast-track' certain renewal works in order to provide economic stimulus, which had a positive effect on ratio performance.

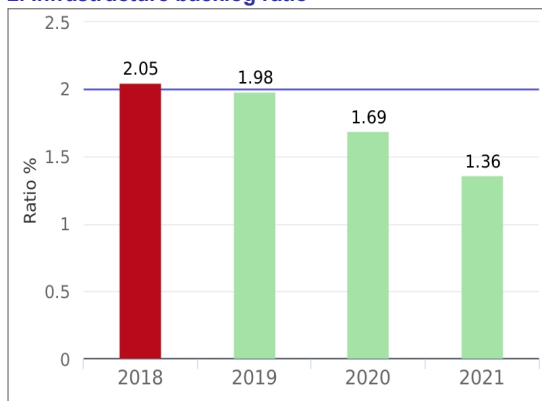
Benchmark: —  $> 100.00\%$

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Infrastructure backlog ratio



**Purpose of infrastructure backlog ratio**

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

**Commentary on 2020/21 result**

**2020/21 ratio 1.36%**

The improvement in this ratio result for 2020/21 is largely due to the uplift of asset values as a result of revaluations. Condition assessment data was updated for the Buildings and Open Space classes, as part of asset revaluations. Improvements to asset condition data are ongoing. Effective utilisation of asset service potential remains a priority and renewal works are targeted to maximise asset life.

Benchmark: —  $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

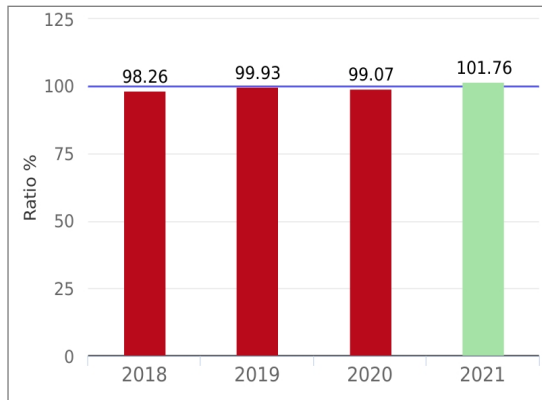
Ratio achieves benchmark

Ratio is outside benchmark

## Council of the City of Sydney

### Report on infrastructure assets as at 30 June 2021 (continued)

#### 3. Asset maintenance ratio



#### Purpose of 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 2020/21 result

2020/21 ratio 101.76%

Council's performance ratio result exceeds benchmark, within an acceptable range. A ratio significantly in excess of 100% would represent potential overservicing of assets. "Required" maintenance totals are subject to ongoing refinement as part of asset management planning. Maintenance cycles vary, from time to time, as asset condition assessments are undertaken.

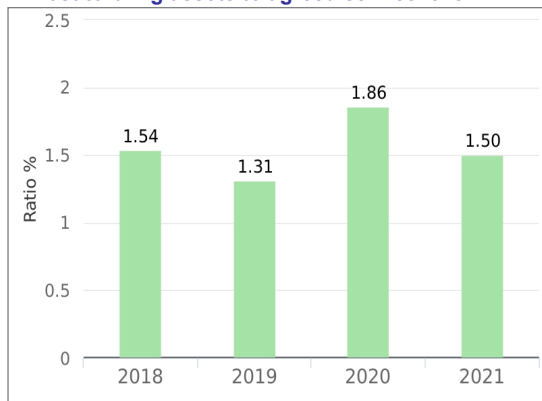
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

#### 4. Cost to bring assets to agreed service level



#### Purpose of 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 2020/21 result

2020/21 ratio 1.50%

Council has continued to meet the benchmark for this ratio, which was introduced from 2015-16. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation. Improvement in the ratio result in 2020/21 reflects asset renewal expenditure, and asset valuation uplift as a result of the revaluation of buildings and open space assets.

## Item 4.

### Investments Held as at 31 October 2021

File No: X020701

#### Summary

This report provides details of the City's investment portfolio and performance to 31 October 2021.

The City's total Investment and Cash position was \$705.7M at 31 October 2021, with investments earning interest of \$0.4M for the month.

The Covid-19 pandemic has created significant uncertainty in financial markets. The Reserve Bank of Australia (RBA) responded to the crisis by reducing the official cash rate, firstly on 3 March 2020 to 0.50 per cent, again on 20 March 2020 to 0.25 per cent, and then again on 2 November 2020 down to an official cash rate of 0.10 per cent. The RBA also launched a Term Funding Facility, now in the order of \$200 billion, which further reduced the funding costs of Authorised Deposit-Taking Institutions (ADIs). The market responded to these actions by reducing the rates on offer, with the lower investment yields continuing to have a sustained adverse impact on the City's portfolio return.

The City's cash inflows are also negatively impacted as the economic consequences of the pandemic continue to reduce major revenue streams, in particular commercial property and parking related income. A greater focus on maintaining adequate liquidity with shorter investment maturities, and increasingly limited opportunities to invest funds at adequate rates of return, continues to affect the City's interest revenue.

The majority of the City's cash and investments portfolio is held as internally restricted (\$330.5M) or externally restricted (\$67.8M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.

Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and open space acquisitions. The balance of investment funds represents working capital and funding required for the City's operating and capital expenditure commitments, including the Covid-19 relief grants program.

The City achieved an annualised monthly return of 0.56 per cent for October, which remains above the 30 Day Bank Bill Rate (BBR) of 0.01 per cent, the latest AusBond Bank Bill Index (published by Bloomberg) of 0.00 per cent and the enhanced benchmark of 0.46 per cent (BBR + 0.45 per cent) as endorsed in October 2021 as part of the Investment Strategy.

The City's annual rolling return of 0.56 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 0.01 per cent, the latest AusBond Bank Bill Index of 0.03 per cent and the enhanced benchmark of 0.46 per cent (BBR + 0.45 per cent) as endorsed in the Investment Strategy in October 2021.

While the returns are at a historic low point, it is worth noting Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sectors investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which generally produce lower returns but a high level of security. The City's returns from the investment portfolio remain in line with cash managed funds in the market.

The report includes graphs demonstrating that the City's liquidity profile continues to satisfy the requirements of the Policy, and charts that identify the distribution of the City's portfolio across credit ratings, investment product types and financial institutions. Separate charts depicting the City's cumulative portfolio returns over and above both the 90 day Bloomberg AusBond and 30 day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The Policy and Strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent, under the environmentally and socially responsible investment criteria.

## **Recommendation**

It is resolved that the Investment Report as at 31 October 2021 be received and noted.

## **Attachments**

**Attachment A.** Register of Investments and Cash as at 31 October 2021

**Attachment B.** Investment Performance as at 31 October 2021

## Background

1. In accordance with the principles of financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.
2. Surplus cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy.
3. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Day Bank Bill Rate (BBR) by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.
4. The City's total Investment and Cash position as at 31 October 2021 is \$705.7M, a decrease of approximately \$7.7M from the \$713.4M reported as at 30 September 2021, reflecting additional rates receipts, more than offset by capital works expenditure and other operational payments. A schedule detailing all of the City's investments as at the end of October is provided at Attachment A.
5. A substantial portion of the City's cash and investments portfolio is held as internally restricted (\$330.5M) or externally restricted (\$67.8M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.
6. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and the acquisition of open space. The balance of investment funds represents working capital and funding required for the City's operating and other capital expenditure commitments.
7. The City achieved an annualised monthly return of 0.56 per cent for October, which remains above the 30 Day Bank Bill Rate (BBR) of 0.01 per cent, the latest AusBond Bank Bill Index (published by Bloomberg) of 0.00 per cent and the enhanced benchmark of 0.46 per cent (BBR + 0.45 per cent) as endorsed in October 2021 as part of the Investment Strategy.
8. The City's annual rolling return of 0.56 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 0.01 per cent, the latest AusBond Bank Bill Index of 0.03 per cent and the enhanced benchmark of 0.46 per cent (BBR + 0.45 per cent) as endorsed in the Investment Strategy in October 2021.
9. While the returns are at a historic low point, relative to returns currently available in the equity and property markets, it is worth noting Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sectors investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which produces lower returns but a high level of security. The City's returns from the investment portfolio are line with cash managed funds in the market.

10. In response to the global Covid-19 pandemic, the Reserve Bank of Australia (RBA) adjusted the official cash rate on 3 March 2020, again on 20 March 2020, and most recently in November 2020 down to 0.10 per cent. In addition, the RBA launched Term Funding Facility. This facility, now in the order of \$200 billion, has reduced the funding costs of Authorised Deposit-Taking Institutions (ADIs), in turn helping to reduce the interest rates for borrowers. The market is responding by reducing the rates on offer, and the resultant lower investment yields continue to have a sustained adverse impact on the City's portfolio return. The low interest rates are anticipated to continue for the foreseeable future given the current challenging economic conditions.
11. The City's cash inflows, whilst reasonably resilient, have been negatively impacted for a prolonged period, as the economic consequences of the pandemic have continued to affect major revenue streams, in particular commercial property and parking related income. A greater focus on maintaining adequate liquidity with shorter investment maturities, and increasingly limited opportunities to invest funds at adequate rates of return, will also continue to affect the City's interest revenue.
12. The report includes graphs depicting that the City's cumulative portfolio returns over and above both the 90 day Bloomberg AusBond, and 30 day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.
13. The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030

14. The City's investments accord with all legislative and policy requirements, as detailed below, and continue to achieve returns above minimum benchmark rates.

## Financial Implications

15. The City's investments earned interest of \$0.4M for the month of October 2021, marginally above budgeted earnings of \$0.2M, as our opening cash balance for the year was higher than anticipated when the budget was prepared.
16. The budget for 2021/22 represents a substantial reduction on prior years, in anticipation of earning lower returns on the portfolio due to the reduced rates on offer in the market, a situation expected to continue for the short to medium term.

## Economic

17. The extent of the local and global economic impact resulting from Covid-19 has created significant uncertainty in financial markets. Many Governments and central banks, including the Australian Government and the Reserve Bank of Australia (RBA), are implementing large scale responses to the economic crisis, including coordinated stimulus measures involving significant increases in government spending and borrowing combined with large scale buying of bonds by central banks.

18. The RBA has reduced the official cash rate down to 0.10 per cent on 2 November 2020, and has indicated that this cash rate is unlikely to be lifted until it is confident the economy has recovered sufficiently to lift annual inflation inside its target 2 per cent to 3 per cent range.
19. Historically, returns on cash (i.e. "at call" accounts) and short term investments have been quite strong, however the low official cash rate and market variability in monthly returns may mean the short to medium term investment returns could be flat or potentially slightly negative. While the capacity for City staff to invest in a manner that meets liquidity requirements, whilst achieving the "enhanced" benchmark returns (as detailed in the Investment Policy) is increasingly limited, the best available returns continue to be actively sought when surplus funds are invested.
20. On occasion, financial institutions will not offer term deposit rates as their own liquidity requirements are already satisfied. Since the beginning of the Covid-19 pandemic, this has occurred with increased frequency, further limiting the available range of institutions able to offer adequate returns at an acceptable credit risk under the City's Investment Policy.

### **Relevant Legislation**

21. Council is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.
22. The Local Government (General) Regulation 2005 (Clause 212) requires the City to provide a written monthly report of all monies invested, under Section 625 of the Act.
23. The Investment Policy and Strategy was last revised in October 2021, maintaining Council's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments. The policy included a minor amendment that raised the threshold exposure for a single A rated institution from \$50M to \$75M. Over the past five years the City's portfolio has grown while the amount that the policy has allowed to be invested in A rated institutions has not changed. These institutions have tended to offer higher rates of return than the Big Four Banks and also provided an opportunity to diversify the portfolio.
24. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 18 October 2021.

### **Critical Dates / Time Frames**

25. A monthly investment report must be submitted for Council's information and review within the following month.

### **Public Consultation**

26. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure the City continues to maximise its investment return within appropriate risk parameters.



27. City staff meet regularly with representatives of each of the 'Big 4' banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment (SRI) opportunities.
28. The banks acknowledge the appetite in the market for these products and they continue to investigate the development of suitable products, however it has been challenging to match the level of funds to available Socially Responsible Investment opportunities that meet the credit risk and maturity profile requirements of the City.
29. As noted in previous Investment Reports, Westpac were able to bring a Green Tailored Deposit product to market, which delivers a comparable return while achieving the City's preferred outcomes. The City currently holds \$75M in eleven tranches with this Green Tailored deposit.
30. The City also invested in six tranches, totalling \$45M, since the introduction of Climate Bond-certified Green Term Deposits with the Commonwealth Bank of Australia (CBA), whilst also meeting the City's risk / return profile.
31. In December 2019, the City invested \$5M in a Floating Rate Note (FRN) / Sustainability Bond issued by Bank Australia, based on an investment framework that meets the main guidelines for issuance of Green, Social and Sustainability Bonds in the global capital markets. This Socially Responsible investment opportunity met both the credit risk and maturity profile requirement of the City.

**BILL CARTER**

Chief Financial Officer

# **Attachment A**

**Register of Investments and Cash  
as at 31 October 2021**



**Register of Investments and Cash for October 2021 period**

Institution	Rating	Face Value \$	Amortised Value \$	Monthly Net Returns	Monthly Net Return Annualised	Net Returns Rolling 12 Months	Maturity Date	Investment Date	Term (months)
<b>Term Deposits (TD) 'Green Tailored Deposits'</b>									
Commonwealth Bank - Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.05%	0.55%	0.55%	18-Nov-21	18-Nov-20	12
Commonwealth Bank - Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.02%	0.29%	0.29%	26-Nov-21	27-Jul-21	4
Commonwealth Bank - Green Tailored Deposit	AA	10,000,000.00	10,000,000.00	0.03%	0.38%	0.38%	17-Dec-21	17-Feb-21	10
Commonwealth Bank - Green Tailored Deposit	AA	10,000,000.00	10,000,000.00	0.04%	0.46%	0.46%	23-Dec-21	23-Dec-20	12
Commonwealth Bank - Green Tailored Deposit	AA	10,000,000.00	10,000,000.00	0.04%	0.42%	0.42%	14-Jan-22	15-Jan-21	12
Commonwealth Bank - Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.04%	0.43%	0.43%	8-Mar-22	9-Mar-21	12
Westpac Banking Corporation - Green Tailored Deposit (Quarterly Interest)	AA	5,000,000.00	5,000,000.00	0.04%	0.47%	0.47%	21-Oct-22	18-Oct-21	12
Westpac Banking Corporation - Green Tailored Deposit (Quarterly Interest)	AA	5,000,000.00	5,000,000.00	0.04%	0.50%	0.50%	25-Oct-22	22-Oct-21	12
Westpac Banking Corporation - Green Tailored Deposit (0.50% Fixed 1 years & 3 months BBSW + 47 points for year 1)	AA	10,000,000.00	10,000,000.00	0.04%	0.50%	0.50%	21-Dec-22	21-Dec-20	24
Westpac Banking Corporation - Green Tailored Deposit (0.47% Fixed 1 years & 3 months BBSW + 45 points for year 2)	AA	10,000,000.00	10,000,000.00	0.04%	0.47%	0.47%	23-Dec-22	23-Dec-20	24
Westpac Banking Corporation - Green Tailored Deposit (Quarterly Interest)	AA	5,000,000.00	5,000,000.00	0.06%	0.70%	0.70%	11-Oct-23	11-Oct-21	24
Westpac Banking Corporation - Green Tailored Deposit (3 Months BBSW + 93 points)	AA	10,000,000.00	10,000,000.00	0.08%	0.91%	0.95%	27-Nov-23	26-Nov-18	60
Westpac Banking Corporation - Green Tailored Deposit (2.97% Fixed 2 years & 3 months BBSW + 93 points 3 years)	AA	5,000,000.00	5,000,000.00	0.08%	0.91%	1.28%	29-Nov-23	30-Nov-18	60
Westpac Banking Corporation - Green Tailored Deposit (3.00% Fixed 1 years & 3 months BBSW + 105 points 4 years)	AA	10,000,000.00	10,000,000.00	0.09%	1.10%	1.08%	24-Jan-24	25-Jan-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.85% Fixed 1 years & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.09%	1.03%	1.05%	28-Feb-24	1-Mar-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.75% Fixed 1 year & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.09%	1.03%	1.03%	11-Mar-24	13-Mar-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.65% Fixed 1 year & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.09%	1.04%	1.03%	22-Mar-24	25-Mar-19	60
<b>Total</b>		<b>536,000,000</b>	<b>536,000,000</b>	<b>0.04%</b>	<b>0.51%</b>	<b>0.52%</b>			
<b>Floating Rate Notes (FRN)</b>									
Bank of China - Sydney Branch (90 days BBSW + 103 points)	A	4,500,000.00	4,500,000.00	0.09%	1.05%	1.06%	15-Nov-21	15-Nov-18	36
Commonwealth Bank (90 days BBSW + 85 points)	AAA	4,600,000.00	4,600,000.00	0.07%	0.88%	0.88%	17-Nov-21	17-Nov-16	60
ANZ Bank (90 days BBSW + 88 points)	AA	4,000,000.00	4,000,000.00	0.08%	0.90%	0.91%	8-Feb-22	8-Feb-19	36
Credit Union Australia (90 days BBSW + 123 points)	A	1,500,000.00	1,500,000.00	0.11%	1.26%	1.27%	4-Mar-22	4-Mar-19	36
ME Bank (90 days BBSW + 98 points)	BBB	3,000,000.00	3,000,000.00	0.09%	1.02%	1.02%	18-Jul-22	18-Jul-19	36
Suncorp Bank (90 days BBSW + 97 points)	A	4,000,000.00	4,003,941.39	0.08%	1.00%	1.00%	16-Aug-22	31-Oct-18	45
Suncorp Bank (90 days BBSW + 97 points)	A	2,500,000.00	2,500,000.00	0.08%	0.99%	1.00%	16-Aug-22	16-Aug-17	60
Bank of Queensland (90 days BBSW + 105 points)	BBB	4,000,000.00	4,000,000.00	0.08%	1.00%	1.07%	3-Feb-23	5-Feb-18	60
Credit Union Australia (3 months BBSW + 90 bps)	BBB	2,800,000.00	2,800,000.00	0.08%	0.91%	0.92%	21-Feb-23	21-Feb-20	36
Westpac Bank (90 days BBSW + 83 points)	AA	5,000,000.00	5,000,000.00	0.07%	0.86%	0.86%	6-Mar-23	6-Mar-18	60
ANZ Bank (90 days BBSW + 90 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.92%	0.93%	9-May-23	9-May-18	60
National Australia Bank (90 days BBSW + 90 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.92%	0.94%	16-May-23	16-May-18	60
Commonwealth Bank (90 days BBSW + 93 points)	AA	3,500,000.00	3,500,000.00	0.08%	0.92%	0.95%	16-Aug-23	16-Aug-18	60
Suncorp Bank (90 days BBSW + 77 points)	A	4,500,000.00	4,500,000.00	0.07%	0.80%	0.80%	13-Sep-23	13-Sep-18	60
National Australia Bank (90 days BBSW + 93 points)	AA	3,500,000.00	3,500,000.00	0.08%	0.97%	0.96%	26-Sep-23	26-Sep-18	60
ANZ Bank (90 days BBSW + 103 points)	AA	5,000,000.00	5,000,000.00	0.09%	1.06%	1.06%	6-Dec-23	6-Dec-18	60
National Australia Bank (90 days BBSW + 104 points)	AA	4,000,000.00	4,000,000.00	0.09%	1.05%	1.07%	26-Feb-24	26-Feb-19	60
National Australia Bank (90 days BBSW + 92 points)	AA	3,200,000.00	3,200,000.00	0.08%	0.95%	0.95%	19-Jun-24	20-Jun-19	60
Westpac Banking Corporation (90 days BBSW + 88 points)	AA	4,000,000.00	4,000,000.00	0.09%	1.06%	0.95%	16-Aug-24	16-May-19	63
ANZ Bank (90 days BBSW + 77 points)	AA	4,000,000.00	4,000,000.00	0.07%	0.78%	0.82%	29-Aug-24	29-Aug-19	60
National Australia Bank (90 days BBSW + 77 points)	AA	5,000,000.00	5,000,000.00	0.07%	0.83%	0.80%	21-Jan-25	21-Jan-20	60
Macquarie Bank (3 months BBSW + 84 points)	A	5,000,000.00	5,000,000.00	0.07%	0.86%	0.87%	12-Feb-25	12-Feb-20	60
Suncorp Bank (90 days BBSW + 112 points)	AAA	1,500,000.00	1,500,000.00	0.10%	1.15%	1.15%	24-Apr-25	27-Apr-20	60
Macquarie Bank (3 months BBSW + 48 points)	A	5,000,000.00	5,000,000.00	0.04%	0.51%	0.51%	9-Dec-25	9-Dec-20	60
Suncorp Bank (90 days BBSW + 45 points)	A	2,100,000.00	2,100,000.00	0.04%	0.46%	0.47%	24-Feb-26	24-Feb-21	60
Newcastle Permanent Building Society (90 days BBSW + 63 points)	BBB	5,000,000.00	5,000,000.00	0.06%	0.67%	0.67%	4-Mar-26	4-Mar-21	60
Bendigo & Adelaide Bank (90 days BBSW + 65 points)	BBB	5,000,000.00	5,000,000.00	0.06%	0.68%	0.67%	18-Jun-26	18-Jun-21	60
Suncorp Bank (90 days BBSW + 48 points)	A	3,750,000.00	3,750,000.00	0.04%	0.51%	0.51%	15-Sep-26	15-Sep-21	60
Bank of Queensland (90 days BBSW + 80 points)	BBB	3,000,000.00	3,000,000.00	0.07%	0.85%	0.85%	27-Oct-26	27-Oct-21	60
<b>Floating Rate Notes (FRN) 'Green/Climate Bonds/Sustainability Bond'</b>									
Bank Australia - Sustainability Bond (3months BBSW + 90 points)	BBB	5,000,000.00	5,000,000.00	0.08%	0.93%	0.94%	2-Dec-22	2-Dec-19	36
Commonwealth Bank Climate Bond (90 days BBSW + 92 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.94%	0.96%	31-Mar-22	31-Mar-17	60
<b>Total</b>		<b>122,950,000</b>	<b>122,953,941</b>	<b>0.07%</b>	<b>0.88%</b>	<b>0.88%</b>			
<b>Total Investments</b>		<b>699,093,704</b>	<b>699,097,645</b>	<b>0.05%</b>	<b>0.56%</b>	<b>0.56%</b>			
<b>Benchmark: 30 Day Bank Bill Index</b>				<b>0.00%</b>	<b>0.01%</b>	<b>0.01%</b>			
<b>Benchmark: Bloomberg AusBond Bank Bill Index</b>				<b>0.00%</b>	<b>0.00%</b>	<b>0.03%</b>			
<b>City of Sydney's available bank balance as at 31 October 2021</b>		<b>6,637,886</b>	<b>6,637,886</b>						
<b>TOTAL INVESTMENTS &amp; CASH</b>		<b>705,731,589</b>	<b>705,735,531</b>						

**Summary of Net Investment Movements - October 2021**

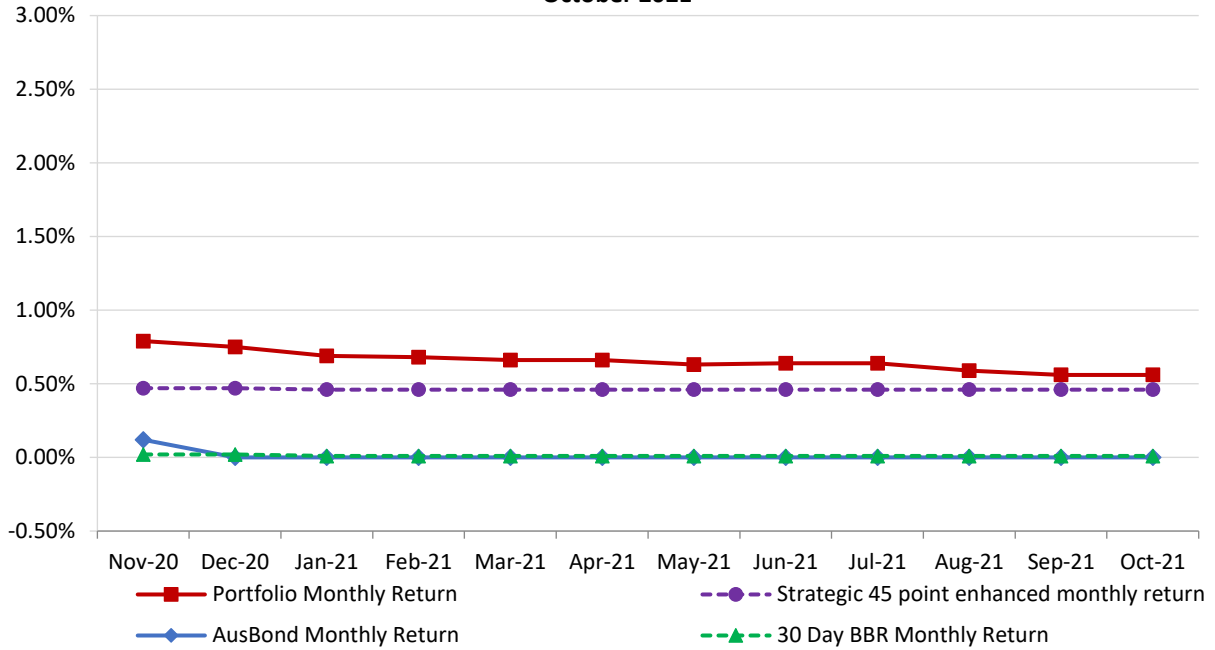
Financial Institution	Fund Rating	Net Invest/(Recall) Amount \$	Commentary
<b><u>General Fund</u></b>			
Westpac Banking Corporation	AA	(14,400,000)	October closing balance is lower compared to September, due to higher volume of receipts in General fund from rates and other income received in prior month
<b><u>Call Account</u></b>			
Commonwealth Bank	AA	3,000,000	Additional income placed in Commonwealth Bank and Macquarie Bank Call Account
Macquarie Bank Ltd	A	3,000,000	
Westpac Banking Corporation	AA	(2,300,000)	Funds from Call account placed in higher yielding Term deposits
<b><u>Term Deposits (TDs)</u></b>			
Bank of Queensland	A	5,000,000	Redeemed matured investments and additional income placed in higher yielding term deposits.
Westpac Banking Corporation	AA	15,000,000	
Bendigo & Adelaide Bank	A	(10,000,000)	Redemption of matured term deposits, utilised for operational use or reinvested with higher yielding products.
Commonwealth Bank	AA	(10,000,000)	
<b><u>Floating Rate Notes (FRNs)</u></b>			
Bank of Queensland	A	3,000,000	Redeemed matured investments and additional income placed in higher yielding floating rate notes

## **Attachment B**

**Investment Performance as at 31 October  
2021**

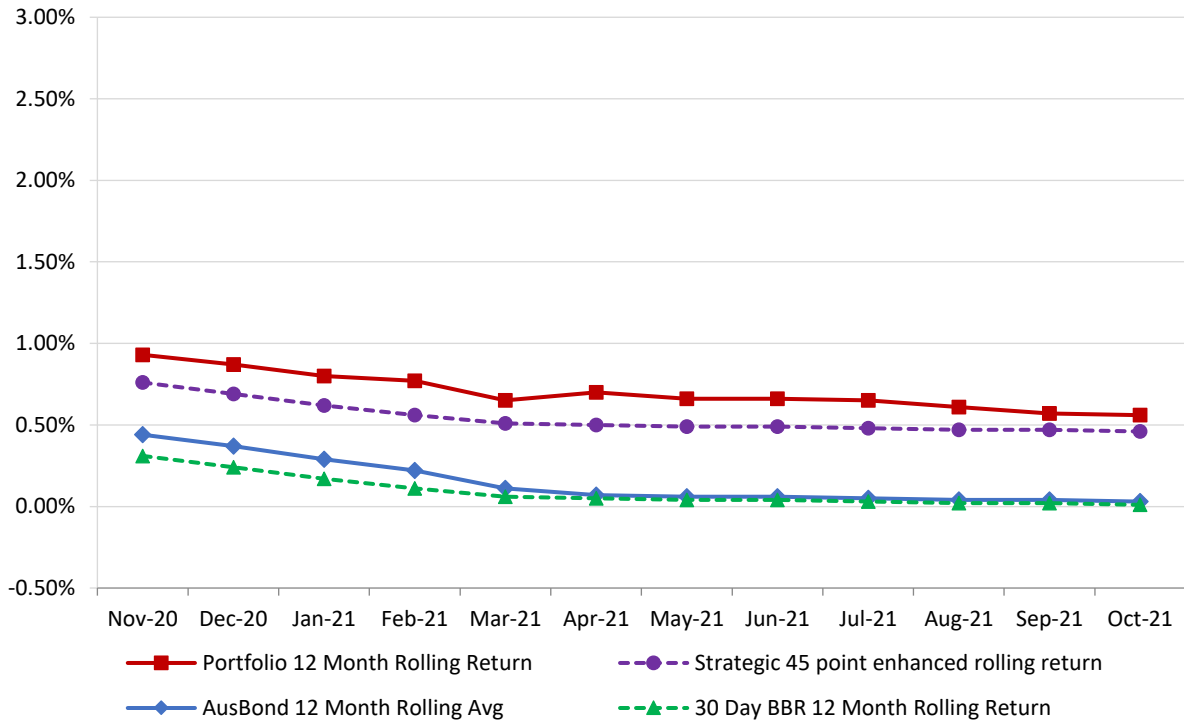
## Monthly Results

**Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark  
October 2021**

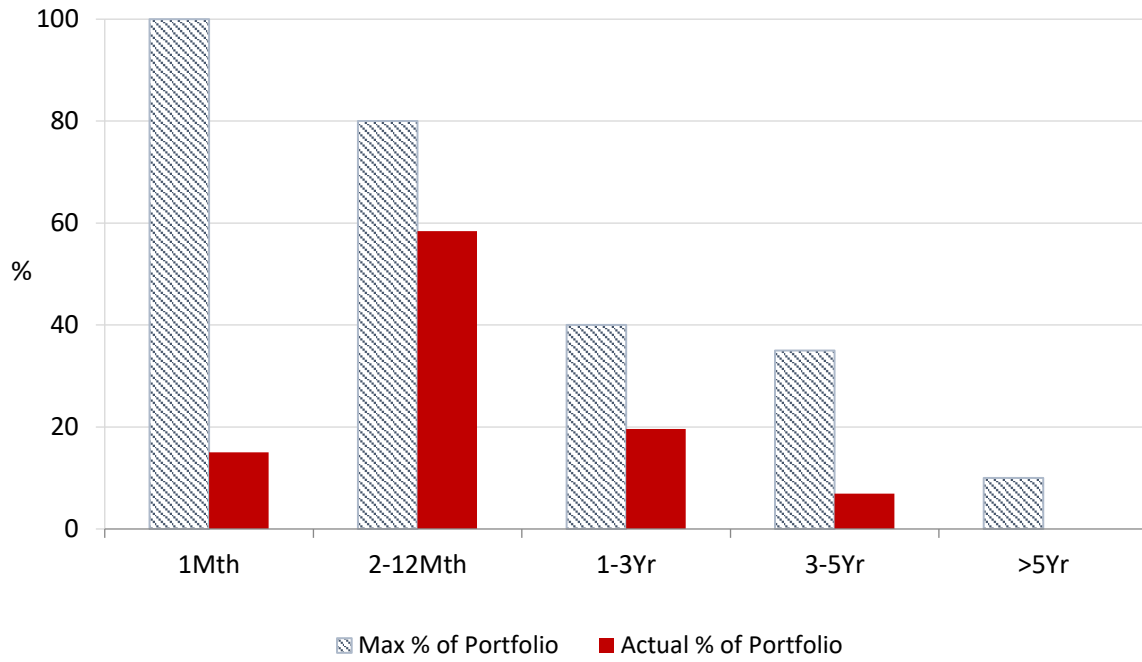


## 12 Month Rolling Averages

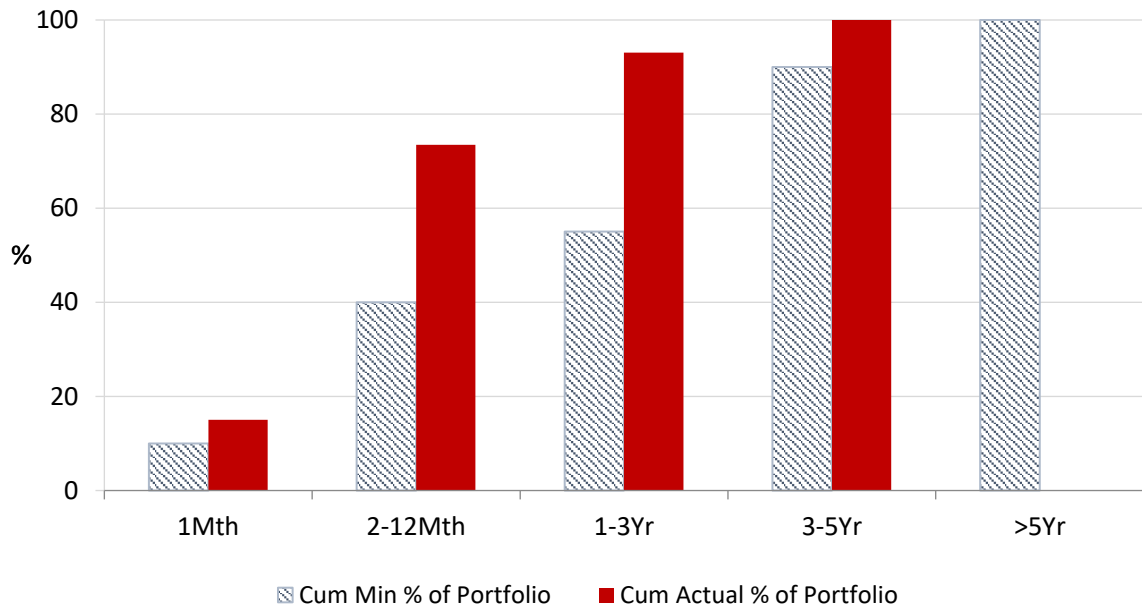
**Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark  
October 2021**



**Portfolio Liquidity - Maximum Allowances as at 31 October 2021**

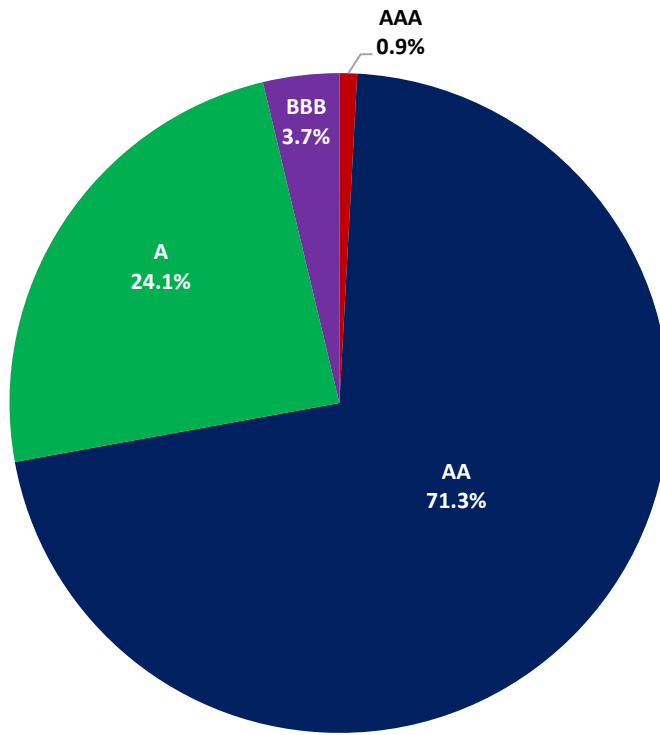


**Portfolio Liquidity - Minimum Allocations as at 31 October 2021**

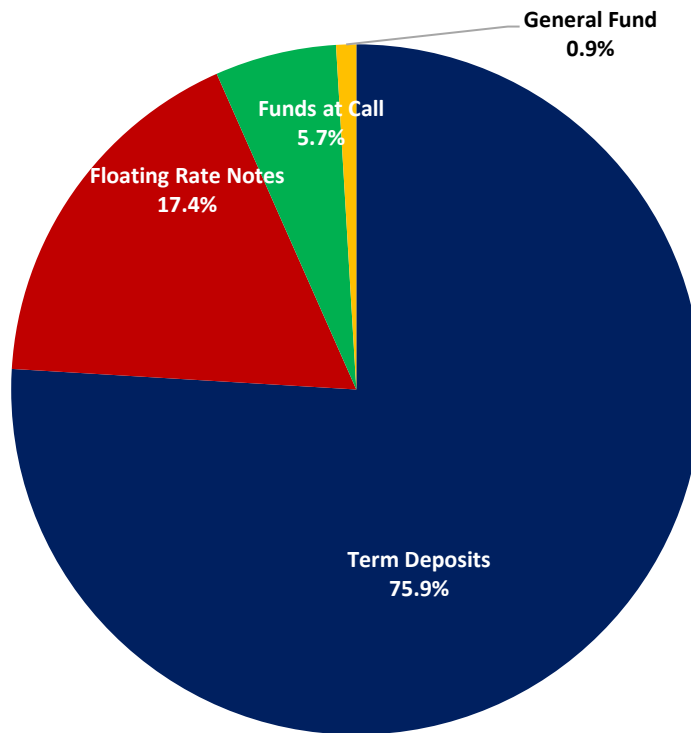




**Risk Profile as at 31 October 2021**



**Investment Product Profile as at 31 October 2021**

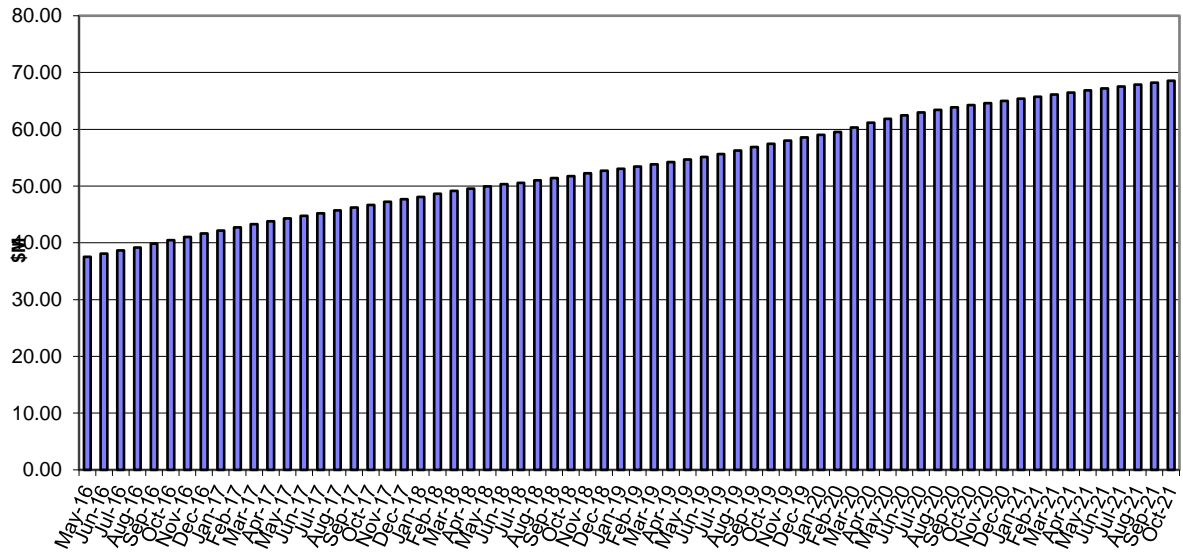


**INVESTMENT AND CASH DISTRIBUTION BY FINANCIAL INSTITUTION**

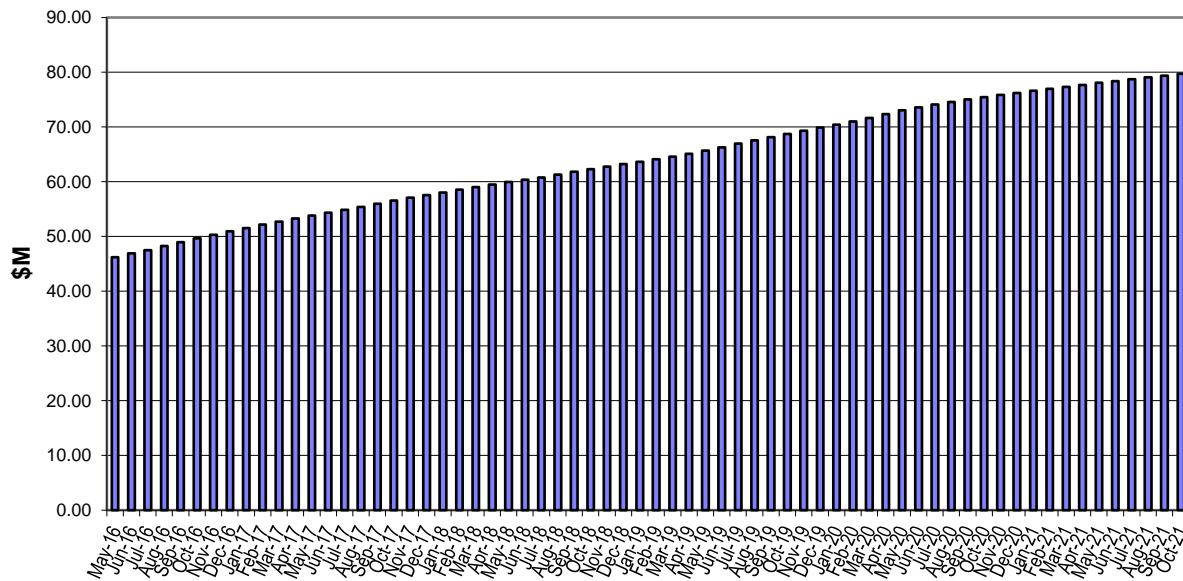
**as at 31 October 2021**

Institution Category	Financial Institution	Amount \$M	Financial Inst. %	Institution Cat. %
Australian Big 4 Bank (and related institutions)	ANZ Bank	18.0	2.6	
	Commonwealth Bank	218.3	30.9	
	National Aust Bank	70.7	10.0	
	Westpac Banking Corporation	190.6	27.0	
<b>Big 4 Total</b>		<b>497.6</b>		<b>70.5</b>
Other Australian ADIs and Australian subsidiaries of foreign institutions	Bank Australia Limited	5.0	0.7	
	Bank of China	4.5	0.6	
	Bank of Queensland	42.0	6.0	
	Bendigo & Adelaide Bank	40.0	5.7	
	Great Southern Bank (formerly Credit Union Australia)	4.3	0.6	
	IMB	10.0	1.4	
	ME Bank	16.0	2.3	
	Suncorp Bank	18.4	2.6	
	Macquarie Bank Ltd	52.9	7.5	
	Northern Territory Treasury Corporation	10.0	1.4	
Newcastle Permanent Building Society	5.0	0.7		
<b>Other ADI Total</b>		<b>208.1</b>		<b>29.5</b>
<b>Grand Total</b>		<b>705.7</b>	<b>100.0</b>	<b>100.0</b>

### Cumulative Outperformance over AusBond Benchmark - 2015-2021



### Cumulative Outperformance over 30 Day BBR Benchmark - 2015-2021



**Item 5.****Land Classification - Part 15 O'Riordan Street, Alexandria****File No:****Summary**

On 26 July 2021, Council endorsed the notification of a proposed resolution to classify the land to be acquired from Alpha Distribution Ministerial Holding Corporation under the Land Acquisition (Just Terms Compensation) Act 1991, as operational land under the Local Government Act 1993.

The City is acquiring part of 15 O'Riordan Street, Alexandria (being Lots 5 and 6 in proposed plan of subdivision of Lot 7 in Deposited Plan 818246) for the Green Square to Ashmore Connector Road (GSACR). The operational land classification under the Local Government Act 1993 will facilitate the construction of the Green Square to Ashmore Connector Road; which will be dedicated as road on completion.

This report informs the outcome of the public notification of the proposed land classification and recommends Council's endorsement to the land classification.

**Recommendation**

It is resolved that Council endorse the classification of Lots 5 and 6 in proposed plan of subdivision of Lot 7 in Deposited Plan 818246 (being part of 15 O'Riordan Street, Alexandria), as operational land in accordance with section 31 of the Local Government Act 1993.

**Attachments**

Nil.

## Background

1. The Green Square to Ashmore Connector Road is an essential road to fulfil major connectivity and drainage functions. The new local road will run from Botany Road to Bourke Road in Alexandria, and will provide a substantially more direct, safe and efficient east-west access between the Green Square town centre, Erskineville and the inner western suburbs than the current situation.
2. The road is critical to the economic viability of the town centre and enables a major component of the Green Square trunk drain augmentation from Epsom Road through to Alexandra Canal, which the City is constructing in partnership with Sydney Water.
3. On 25 August 2021, the City and Alpha Distribution Ministerial Holding Corporation executed a deed of agreement under section 29 of the Land Acquisition (Just Terms Compensation) Act 1991 (NSW) .
4. The proposed plan shows the subdivision of Lot 7 in Deposited Plan 818246 into three lots, being the acquisition land comprising Lots 5 and 6 (shaded red) with the balance of the land shown as Lot 4 (shaded green).



### **Relevant Legislation**

5. The following sections of the Local Government Act 1993 (NSW) are relevant:
  - (a) Sections 25 and 26 require all public land to be classified as either community or operational land.
  - (b) Section 31 requires Council to classify newly acquired land as operational or community land before the date of acquisition of the land or within three months after the date of acquisition of the land.
  - (c) Section 34 requires the proposed resolution to classify be publicly notified and made available for inspection by the public for a period of 28 days.

### **Public Consultation**

6. The proposed resolution to classify the land, part of 15 O'Riordan Street, Alexandria; as operational was publicly notified for 28 days, commencing on 5 August and closing at 5:00pm on 1 September 2021.
7. No submissions were received.

### **AMIT CHANAN**

Director City Property and Projects

Nicholas Male-Perkins, Commercial Manager

## **Item 6.**

### **Land Classification - Various Properties - Transport for NSW Light Rail Land Transfers to the City**

**File No: X081018**

#### **Summary**

On 26 July 2021, Council endorsed the terms of a section 29 agreement under the Land Acquisition (Just Terms Compensation) Act 1991 for the acquisition of City owned land by Transport for NSW required for the Sydney Light Rail Project, and a Land Transfer Agreement transferring land to the City from Transport for NSW.

Council also endorsed the granting of a 25-year licence for carparking to South Eastern Area Health Service over lots 4, 5 and 6 in proposed plan of subdivision (PPN.1272206) as part of the conditions inherited from Transport for NSW from the Sydney Light Rail Project consent.

Council also endorsed an operational land classification for proposed lots 2, 3 and 8 to facilitate the City's planned renewal of Wimbo Park, noting that upon completion of the park the City will reclassify this land as community to be included within an adopted plan of management for Wimbo Park.

This report informs the outcomes of the public notification and recommends Council's endorsement to the operational land classifications to support the City's interim and ongoing management.

## Recommendation

It is resolved that Council

- (A) endorse the classification of the City acquired property being a subdivision of Lot 10 in Deposited Plan 817603 and Lot 2 in Deposited Plan 1194942, being proposed Lots 2, 3, 4, 5, 6 and 8 in proposed plan of subdivision no.1272206, as operational land in accordance with section 31 of the Local Government Act 1993; and
- (B) note that upon completion of the Wimbo Park upgrade, Lots 2, 3 and 8 in proposed plan of subdivision 1272206 will be re-classified to community land with a categorisation of park and included within a plan of management for Wimbo Park for public exhibition and adoption by Council.

## Attachments

- Attachment A.** 26 July 2021 Council Resolution and Report to the 19 July 2021 Corporate, Finance, Properties and Tenders Committee (including Attachment A 'Identification Plans' and excluding Confidential Attachment B)



## Background

1. In December 2013, Council approved a Development Agreement with Transport for NSW (TfNSW) which included the City's public domain requirements and Transport for NSW's requirements for construction, testing, commissioning, and operation of the light rail.
2. A key City objective of the Development Agreement was to achieve an integrated high-quality public domain. This has been achieved through consensus to set aside compensable matters in respect of the acquisition of City's land (Acquisition Land) and interests over City's land balanced against the transfer of surplus project land to the City at no cost (Compensation Land), inclusive of any interests created as a result of the Project.
3. The City and Transport for NSW have entered into a section 29 agreement under the Land Acquisition (Just Terms Compensation) Act 1993 for the acquisition of City owned land required for the Light Rail project and a Land Transfer Agreement to transfer land, surplus to the Project, to the City's ownership.
4. In respect of the land being transferred to the City at Wimbo Park, a portion of this land is affected by a condition of consent for the Light Rail Project to provide parking for the adjoining South Eastern Area Health Service.
5. The Council endorsed the granting of a 25-year licence for carparking to South Eastern Area Health Service over lots 4,5 and 6 in proposed plan of subdivision (PPN.1272206) as part of the conditions inherited from Transport for NSW from the Sydney Light Rail Project consent.
6. Additionally, the City is planning to undertake a significant upgrade of Wimbo Park and to facilitate these works the Council endorsed an interim operational land classification for lots 2, 3 and 8 in proposed plan of subdivision 1272206 to facilitate the City's works in respect of the upgrade of the park.
7. At the completion of the upgrade works for Wimbo Park this land will be reclassified as community land and included within a plan of management for Wimbo Park to be publicly exhibited and adopted by Council.
8. The Land Transfer Agreement acknowledges Transport for NSW's agreement for the City to classify this specific land as operational to enable the City to manage the licence to South Eastern Sydney Local Health District and the works to upgrade Wimbo Park.

### **Relevant Legislation**

9. The following sections of the Local Government Act 1993 (NSW) are relevant:
  - (a) Sections 25 and 26 require all public land to be classified as either community or operational land.
  - (b) Section 31 requires Council to classify newly acquired land as operational or community land before the date of acquisition of the land or within three months after the date of acquisition of the land.
  - (c) Section 34 requires the proposed resolution to classify be publicly notified and made available for inspection by the public for a period of 28 days.

### **Public Consultation**

10. The proposal to classify the land as operational was notified for 28 days from 5 August and closing 5:00pm on 1 September 2021.
11. No submissions were received.

### **AMIT CHANAN**

Director City Projects and Property

Nicholas Male-Perkins, Commercial Manager

## **Attachment A**

**26 July 2021 Council Resolution and Report  
to the 19 July 2021 Corporate, Finance,  
Properties and Tenders Committee  
(including Attachment A 'Identification  
Plans' and excluding Confidential  
Attachment B)**

## Resolution of Council

**26 July 2021**

### **Item 6.6**

#### **Transport for NSW - Light Rail - Section 29 Land Acquisition Agreement and Land Transfers to the City**

It is resolved that Council:

- (A) note that the City and Transport for NSW have agreed that no compensation will be payable under the Land Acquisition (Just Terms Compensation) Act 1991 for land or property interests acquired by Transport for NSW for the CBD and South East Light Rail Project;
- (B) note that Transport for NSW have agreed to transfer land surplus to the CBD and South East Light Rail for no consideration to the City;
- (C) in respect of 'Eddie Ward Park', corner of Marlborough and Devonshire Streets, Surry Hills, endorse:
  - (i) Transport for NSW acquiring proposed Lot 2 in, plan of acquisition, Deposited Plan 1260627 (Acquisition Land) from the City pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991;
  - (ii) Transport for NSW dedicating to the City as Public Road proposed Lots 11 and 12 in, plan of subdivision, Deposited Plan 1266757 (Compensation Land); and
  - (iii) the pre-existing easements over proposed Lot 12 in Deposited Plan 1266757 for electricity and water;
- (D) in respect of 'Wimbo Park', Surry Hills, endorse:
  - (i) Transport for NSW acquiring the following land from the City pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991:
    - Part 560-576 Bourke Street, Surry Hills, being community land shown as proposed Lot 2 affecting Lots 6 and 7 in Deposited Plan 456577, (Acquisition Land);

- Part of Olivia Lane, being road and shown as proposed Lot 4, (Acquisition Land); and
  - Part of Parkham Place being road and shown as proposed Lot 5, (Acquisition Land);
- (ii) Transport for NSW:
- transferring land forming part of 3 Olivia Lane and part 625-629 South Dowling Street, Surry Hills being proposed Lots 2, 3, 4, 5, 6 and 8 in the proposed plan of subdivision (PPN 1272206) being part of Lot 10 in Deposited Plan 817603 and Lot 12 in Deposited Plan 1194942 for community purposes (Compensation Land); and
  - dedicating as road, pursuant to the Roads Act 1993, and forming part of 3 Olivia Lane, proposed Lot 9 at the corner of Parkham Place and Nobbs Lane and proposed Lot 10 at the corner of Parkham Lane and Parkham Place in the proposed plan of subdivision of Lot 10 in Deposited Plan 817603 and Lot 12 in Deposited Plan 1194942 (Compensation Land);
- (iii) the grant by the City of a 25-year licence for carparking to South Eastern Area Health Service over proposed Lots 4,5 and 6 in proposed plan of subdivision(PPN.1272206) as part of the conditions inherited from Transport for NSW from the Sydney Light Rail Project consent; and
- (iv) the grant of various easements benefitting Transport for NSW as described within the report for the purpose of the Sydney Light Rail Project;
- (E) in respect of 'Anzac Parade', Moore Park endorse:
- (i) Transport for NSW acquiring from the City a stratum below part of Anzac Parade, Lot 2 in Plan of Acquisition, Deposited Plan 1266334 pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991 (Acquisition Land); and
- (ii) Transport for NSW dedicating as road, pursuant to the Roads Act 1993, proposed Lots 5 and 6 in the proposed plan of subdivision (PPN 1271476) being part of Lot 2 in Deposited Plan 739594 (Compensation Land);
- (F) delegate authority to the Chief Executive Officer to finalise the negotiation of any terms and conditions of the Section 29 Land Acquisition Agreement and Land Transfer Agreements and any other documents required to support these transactions, and to execute any documentation necessary to give effect to the transactions approved by these resolutions;
- (G) endorse the proposed resolution: 'It is resolved to classify the City acquired property being a subdivision of Lot 10 in Deposited Plan 817603 and Lot 2 in Deposited Plan 1194942, and further described as proposed Lots 2, 3, 4, 5, 6 and 8 in proposed plan of subdivision no.1272206, as operational land in accordance with section 31 of the Local Government Act 1993' be publicly notified for a period of 28 days prior to or following the completion of the acquisition; and

(H) note that a further report, to inform the outcomes of public notification and recommendation on land classification, will follow any notification period.

Carried unanimously.

X081018

## **Transport for NSW - Light Rail- Section 29 Land Acquisition Agreement and Land Transfers to the City**

**File No: X081018**

### **Summary**

On 13 December 2012 the City of Sydney entered into a Development Agreement with Transport for NSW for the development of a new light rail system, CBD and South East Light Rail, to connect the City Centre with the suburbs of Kensington and Randwick, via George Street and Surry Hills.

A key City objective of the Development Agreement was to deliver an integrated high-quality public domain. An important component in achieving this objective has been agreement through consensus, between the City and Transport for NSW, to set aside compensable matters in respect of acquisitions of the City's land (Acquisition Land) and interests over City's land balanced against the transfer of surplus project land to the City at no cost (Compensation Land), inclusive of any interests created as a result of the project.

The Compensation Land comprises both road dedications under the Roads Act 1993 and land transferred for community uses, the latter the subject of a Land Transfer Agreement.

Both parties have agreed and finalised a Land Acquisition Agreement pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991 (Section 29 Land Acquisition Agreement), and a Land Transfer Agreement for the community land transfers, together with plans of subdivision and supporting instruments to dedicate roads and create required easements.

This report seeks Council's endorsement of the Section 29 Land Acquisition Agreement and the Land Transfer Agreement and all supporting documentation for the property transactions to proceed to completion to support the ongoing operational management of the public domain.

## Recommendation

It is resolved that Council:

- (A) note that the City and Transport for NSW have agreed that no compensation will be payable under the Land Acquisition (Just Terms Compensation) Act 1991 for land or property interests acquired by Transport for NSW for the CBD and South East Light Rail Project;
- (B) note that Transport for NSW have agreed to transfer land surplus to the CBD and South East Light Rail for no consideration to the City;
- (C) in respect of 'Eddie Ward Park', corner of Marlborough and Devonshire Streets, Surry Hills endorse:
- (i) Transport for NSW acquiring proposed Lot 2 in, plan of acquisition, Deposited Plan 1260627 (Acquisition Land) from the City pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991;
  - (ii) Transport for NSW dedicating to the City as Public Road proposed Lots 11 and 12 in, plan of subdivision, Deposited Plan 1266757 (Compensation Land);
  - (iii) the pre-existing easements over proposed Lot 12 in Deposited Plan 1266757 for electricity and water.;
- (D) in respect of 'Wimbo Park', Surry Hills endorse:
- (i) Transport for NSW acquiring the following land from the City pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991:
    - Part 560-576 Bourke Street, Surry Hills, being community land shown as proposed Lot 2 affecting Lots 6 and 7 in Deposited Plan 456577, (Acquisition Land);
    - Part of Olivia Lane, being road and shown as proposed Lot 4, (Acquisition Land);
    - Part of Parkham Place being road and shown as proposed Lot 5, (Acquisition Land);
  - (ii) Transport for NSW :
    - transferring land forming part of 3 Olivia Lane and part 625-629 South Dowling Street, Surry Hills being proposed Lots 2, 3, 4, 5, 6 and 8 in the proposed plan of subdivision (PPN 1272206) being part of Lot 10 in Deposited Plan 817603 and Lot 12 in Deposited Plan 1194942 for community purposes (Compensation Land); and



- dedicating as road, pursuant to the Roads Act 1993, and forming part of 3 Olivia Lane, proposed Lot 9 at the corner of Parkham Place and Nobbs Lane and proposed Lot 10 at the corner of Parkham Lane and Parkham Place in the proposed plan of subdivision of Lot 10 in Deposited Plan 817603 and Lot 12 in Deposited Plan 1194942 (Compensation Land) ;
- (iii) the grant by the City of a 25-year licence for carparking to South Eastern Area Health Service over proposed Lots 4,5 and 6 in proposed plan of subdivision(PPN.1272206) as part of the conditions inherited from Transport for NSW from the Sydney Light Rail Project consent.
- (iv) the grant of various easements benefitting Transport for NSW as described within the report for the purpose of the Sydney Light Rail Project;
- (E) in respect of 'Anzac Parade', Moore Park endorse:
- (i) Transport for NSW acquiring from the City a stratum below part of Anzac Parade, Lot 2 in Plan of Acquisition, Deposited Plan 1266334 pursuant to section 29 of the Land Acquisition (Just Terms Compensation) Act 1991 (Acquisition Land);
- (ii) Transport for NSW dedicating as road, pursuant to the Roads Act 1993, proposed Lots 5 and 6 in the proposed plan of subdivision (PPN 1271476) being part of Lot 2 in Deposited Plan 739594 (Compensation Land)
- (F) delegate authority to the Chief Executive Officer to finalise the negotiation of any terms and conditions of the Section 29 Land Acquisition Agreement and Land Transfer Agreements and any other documents required to support these transactions, and to execute any documentation necessary to give effect to the transactions approved by these resolutions.
- (G) endorse the proposed resolution: 'It is resolved to classify the City acquired property being a subdivision of Lot 10 in Deposited Plan 817603 and Lot 2 in Deposited Plan 1194942, and further described as proposed Lots 2, 3, 4, 5, 6 and 8 in proposed plan of subdivision no.1272206, as operational land in accordance with section 31 of the Local Government Act 1993' be publicly notified for a period of 28 days prior to or following the completion of the acquisition;
- (H) note that a further report, to inform the outcomes of public notification and recommendation on land classification, will follow any notification period.

## Attachments

**Attachment A.** Identification Plans

**Attachment B.** Commercial Considerations (Confidential)

## Background

### Light Rail Project

1. The CBD and South East Light Rail (the “CSELR”) is a new light rail network for Sydney that has been operational since December 2019.
2. The CBD and South East Light Rail runs from Loftus Street at the northern end near Circular Quay through George Street, Rawson Place, Eddy Avenue, Chalmers Street, Devonshire Street and Anzac Parade to Alison Road at the southern end of the local government boundary with Randwick Council.
3. The Project was approved as State Significant Infrastructure under Section 115ZB of the Environmental Planning and Assessment Act 1979.
4. The City has contributed \$220 million to the Project for public domain upgrades and improvements, culminating in the pedestrianisation of George Street between Hunter and Bathurst Streets, and other improvements in Surry Hills.

### Development Agreement

5. In December 2013, Council approved a Development Agreement with Transport for NSW (TfNSW) which included the City’s public domain requirements and Transport for NSW’s requirements for construction, testing, commissioning and operation of the light rail.
6. The Development Agreement noted that:
  - (a) a sufficient Permanent Light Rail Corridor will be required to enable the Light Rail to be safely commissioned, operated and maintained; and
  - (b) the Permanent Light Rail Corridor rights and obligations will commence after the acceptance of the handover of City’s public domain by the City.
  - (c) The Development Agreement also noted that Transport for NSW agree to dedicate part of the former site of Olivia Gardens to the City for community use and integration into Wimbo Park.
  - (d) As at the date of the Development Agreement, Transport for NSW had not determined whether the Permanent Light Rail Corridor required for the operation of the light rail would be by way of a contractual licence, an interest in land (such as a series of easements or a leasehold interest) or by way of statutory rights or a combination of these mechanisms.
  - (e) The City and Transport for NSW have worked together to formulate the subject land easements, acquisitions, and transfers to ratify the land rights and obligations going forward.
  - (f) Any land within the local government area administered by the City which is compulsorily acquired by Transport for NSW as part of the Project and which is not required by Transport for NSW as part of the Project or for other Transport for NSW requirements and affects or will become the public domain, existing parks, gardens, open space or public domain infrastructure, will be dedicated to the City as soon as practicable after completion of the Project.

**Land Acquisitions, Land Transfers, Road Dedications and Interests**

7. Attachment A: Land Identification Plans to this report identifies the areas detailed below.
8. A key City objective of the Development Agreement was to achieve an integrated high-quality public domain. This has been achieved through consensus to set aside compensable matters in respect of acquisition of City's land (Acquisition Land) and interests over City's land balanced against the transfer of surplus project land to the City at no cost (Compensation Land), inclusive of any interests created as a result of the Project.
9. The Compensation Land comprises road dedications under the Roads Act 1993 created upon registration of the plan of subdivision and land transferred for community uses, the latter the subject of a Land Transfer Agreement.
10. Both parties have agreed and finalised the documentation for, the Transport for NSW acquisitions pursuant to Section 29 of the Land Acquisition (Just Terms Compensation) Act 1991 (Section 29 Land Acquisition Agreement), and the Land Transfer Agreement for the community land transfers, together with plans of subdivision (including road dedications) and supporting instruments for required easements.
11. The principal documents relating to land acquisitions, land transfers and road dedications include:
  - (a) Deed of Acquisition of Land under Section 29 of the Land Acquisition (Just Term Compensation) Act 1991 (NSW) covering the land Transport for NSW is acquiring from the City and referencing the 'Compensation Land' being the surplus land to be transferred to the City;
  - (b) Land Transfer Agreement - Wimbo Park;
  - (c) Various Deeds for Easements;
  - (d) Plans of Acquisition and Subdivision.
12. Details of the land acquisitions, transfer and other interests are set out below.
13. Transport for NSW are acquiring from the City 1,540.5 square metres in total comprising 774.10 square metre of road and 766.40 square metres of community classified park
14. The Compensation Land totals 7,851.80 square metres and consists of Transport for NSW dedicating 3,700.6 square metres of road and the transferring 4,151.20 square metres of park to the City.
15. The land to be acquired from the City by Transport for NSW and the land and road to be transferred/dedicated to the City's ownership by Transport for NSW is focused on three areas referred to within this report as Eddie Ward Park, Wimbo Park and Anzac Parade. Details of the individual acquisitions and transfers is set out in the following sections.

**Focus Area: Eddie Ward Park, Surry Hills**

16. Shown within Attachment A: Land Identification Plans.

17. The land to be acquired from the City is proposed Lot 2 in Plan of Acquisition, Deposited Plan 1260627 (being a subdivision of Lot 1 in Deposited Plan 737434) having an area of approximately 558.3 square metres being community land forming part of Eddie Ward Park, leaving a residual area of the Park of 9,124 square metres.
18. The acquisition land is acquired subject to the existing easements burdening the City's land.
19. The land to be transferred to the City and dedicated as road is Lot 11 (136.0 square metres) being land acquired by Transport for NSW from Land and Housing NSW and Lot 12 (558.3 square metres) having a combined total area of 694.3 square metres (Compensation Land).
20. The existing easements burdening Eddie Ward Park (Lot 1 in Deposited Plan 737434) will continue over the land to be transferred back to the City as road (proposed Lot 12).

#### **Focus Area: Wimbo Park, Surry Hills**

21. Shown within Attachment A: Land Identification Plans.
22. For the purpose of this report, Wimbo Park is defined as the area of the original park bounded by Olivia Lane and Bourke Street together with the Compensation Land bound by Nobbs Lane, South Dowling Street, Parkham Lane and Olivia Lane.

#### **Acquisition Land**

23. The land to be acquired from the City by Transport for NSW within plan of acquisition, Deposited Plan 1260666 has a combined total area of 311.3 square metres and includes:
  - (a) proposed Lot 2 having an area of 208.1 square metres being part of Lots 6 and 7 in Deposited Plan 456577 and being community land forming part of Wimbo Park;
  - (b) proposed Lot 4 having an area of 42.9 square metres, being part of Olivia Lane road reserve; and
  - (c) proposed Lot 5 having an area of 60.3 square metres, being part of Parkham Place road reserve.

#### **Compensation Land**

24. The compensation land to be transferred to the City in proposed plan of subdivision, Deposited Plan 1272206 has a combined total area of 4,239.5 square metres and includes:
  - (a) Lots 2, 3 and 8 having a combined area of 3,849.4 square metres for community purposes, noting that Transport for NSW has agreed to the proposed operational classification of this land to facilitate the delivery of the new park.
  - (b) Lots 9 and 10 with a combined area of 88.3 square metres dedicated as public road, and

- (c) Lots 4, 5 and 6 with a combined area of 301.8 square metres which will transfer encumbered by a 25-year licence at \$1 per annum (if demanded) between the City and South Eastern Sydney Local Health District as carparking spaces for the use of the Langton Centre. To enable this licence under the Local Government Act 1993, Transport for NSW has agreed to an operational classification of this land.
25. The proposed plan of subdivision will create:
- (a) easements for services 3 metres and 1.15 metres wide benefitting the City and burdening the Light Rail Corridor land,
  - (b) an easement for drainage 3.5 metres wide benefitting the City and burdening the Light Rail Corridor land,
26. Proposed Lot 2, 3 and 8 will be transferred to the City in fee simple for the purpose of community use (being a subdivision of Lot 10 in Deposited Plan 817603 and Lot 12 in Deposited Plan 1194942).
27. The Land Transfer Agreement acknowledges Transport for NSW's agreement for the City to classify this land as operational to enable the City to both manage the licence to South Eastern Sydney Local Health District and undertake the planned refurbishment of Wimbo Park.
28. Transport for NSW is dedicating proposed Lots 9 and 10 as road (being a subdivision of Lot 10 in Deposited Plan 817603 and Lot 2 in Deposited Plan 1194942).

**Focus Area: Anzac Parade, Surry Hills and Moore Park**

29. Shown as 05 within Attachment A: Land Identification Plan.

**Acquisition Land**

30. The land to be acquired from the City is Proposed Lot 2 in Plan of Acquisition Deposited Plan 1266334, Light Rail Tunnel below Anzac Parade, Moore Park.
31. Lot 2 is a stratum lot limited in height and depth with an area of 670.9 square metres.

**Transfer Land Anzac Parade (near Martin Road, Moore Park - Road Dedication**

32. Shown as 06 and 07 within Attachment A: Land Identification Plan.
33. The land to be dedicated as road totals 2,918 square metres and comprises:.
- (a) Lot 5 having an area of 565 square metres, (being a subdivision of Lot 2 in Deposited Plan 739594) adjoining Martin Road along its eastern boundary and the Light Rail Corridor along its western boundary, and
  - (b) Lot 6 having an area of 2,353 square metres, (being a subdivision of Lot 2 in Deposited Plan 739594), adjoining Anzac Parade along its western boundary and the Light Rail Corridor along its eastern boundary.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030

34. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City
  - (b) Direction 2 - A Leading Environmental Performer.
  - (c) Direction 3 - Integrated Transport for a Connected City
  - (d) Direction 4 - A City for Walking and Cycling
  - (e) Direction 5 - A Lively and Engaging City Centre

### Social / Cultural / Community

35. The adoption of the City's public domain standards has achieved an integrated public domain of high quality that supports the City's urban design principles.

### Environmental

36. The Light Rail operations will significantly reduce greenhouse gas emissions by reducing the number of cars and buses along the route.
37. The Project will also seek to maximise opportunities for renewable energy production to reduce the light rail's carbon footprint.

### Economic

38. Transport for NSW has released a summary of the Business Case appraised by NSW Treasury. The Benefit-Cost ratio (BCR) is evaluated at 2.5; this means that the project provides \$2.50 benefit for every \$1.00 of investment, representing a total benefit of \$4.0 billion against an estimated investment of \$1.6 billion. The majority of the economic benefits, some \$2.2 billion, result from public transport benefits related to faster, more reliable journeys.
39. In addition, the economic modelling of the light rail system has indicated high patronage along the route, leading to an expectation of a cashflow-positive operation.

### Financial Implications

40. Transport for NSW and the City have agreed to set aside compensable matters in respect of acquisition of City's land (Acquisition Land) and interests over City's land balanced against the transfer of surplus project land to the City at no cost (Compensation Land), inclusive of any interests created as a result of the project.
41. Any changes to the City's land holdings will be reflected in the City's asset register and valued according to its land classification and recognised in accordance with Australian Accounting Standards and the requirements as set down by the Office of Local Government.

## Relevant Legislation

42. Section 377 of the Local Government Act 1993 as amended (which contains the general power of a Council to delegate), a council may, by resolution, delegate certain functions, but not the function to sell or acquire land or other property.
43. Section 25 of the Local Government Act 1993 requires all public land to be classified as either community or operational land.
44. Section 31 of the Local Government Act 1993 requires Council to classify newly acquired land as operational or community land before the date of acquisition of the land or within three months from the date of acquisition of the land.
45. The land transfers within the Wimbo Park focus area require classification.
46. The community classification is intended to support the management of recreational open space and reserves. While the City is to retain the land to be transferred in perpetuity for community recreational use, Transport for NSW acknowledge that the encumbrance of the licence to South Eastern Sydney Local Health District requires an operational classification to ensure the City is able to manage this land in accordance with the Local Government Act 1993. .
47. Similarly, Transport for NSW acknowledge the City's recently approved plans to integrate existing City owned land (original Wimbo Park) and the land to be transferred from Transport for NSW into an enlarged Wimbo Park. The City requires the flexibility to manage the integration of the transfer lands through the development, commissioning and warranty periods to ensure timely delivery and operational handover.
48. Until the redevelopment of the site by the City is completed, the application of a community classification to the proposed acquisition (by transfer) land would be inconsistent with the management of the other City-owned land acquired for similar purposes.
49. It is recommended that Lots 4, 5 and 6 within Deposited Plan 1272206 being the land encumbered by a 25-year licence to the South Eastern Sydney Local Health District be classified as operational to enable the City to manage its obligations.
50. It is recommended that Lots 2, 3 and 8 be classified as operational land to facilitate the implementation of the renewal works planned for Wimbo Park and following operational handover the land would be re-classified as community and categorised through inclusion within a plan of management.
51. This report seeks Council's endorsement to notify a proposed resolution to classify the land as operational land which will enable the City to effectively manage this land.
52. Section 34 of the Local Government Act 1993 requires the proposed resolution to classify be publicly notified and made available for inspection by the public for a period of 28 days. A further report, to inform the outcomes of public notification and for Council to resolve to endorse the classification, will follow the notification.

53. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
54. Attachment B contains confidential commercial information and details which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
55. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

### **Critical Dates / Time Frames**

56. The Section 29 land acquisitions will be gazetted by Transport for NSW upon registration of the plans of acquisition. Following endorsement by Council the parties will proceed to execute the relevant documentation to enable the acquisition and transfer of the subject land to be effected and work together to expedite the finalisation of the transactions.

**KIM WOODBURY**

Chief Operating Officer

Nicholas Male-Perkins, Commercial Manager



# **Attachment A**

## **Identification Plans**

# FOCUS AREAS

# IDENTIFICATION PLAN

## Wider Area Plan



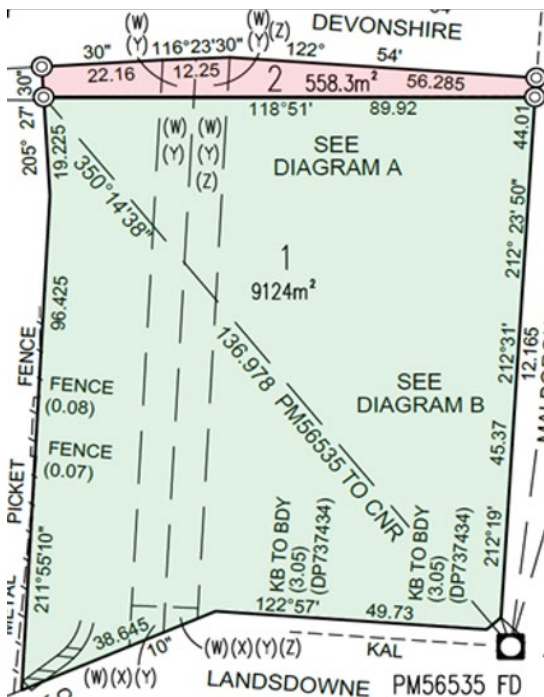
# FOCUS AREA - EDDIE WARD PARK

# IDENTIFICATION PLAN

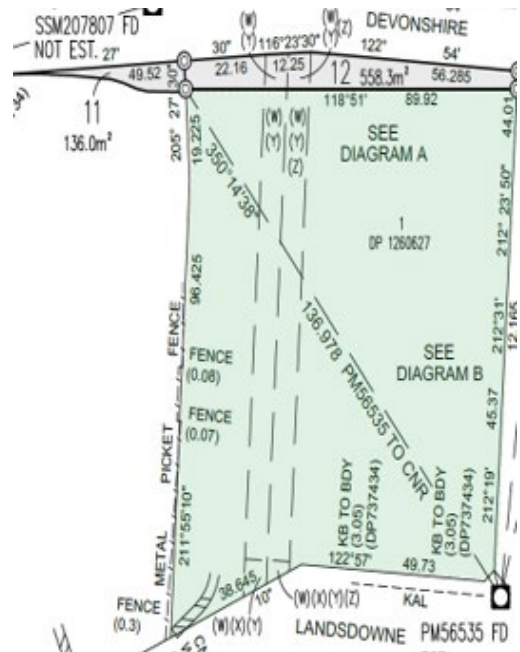
## ACQUISITION AND COMPENSATION LAND



**Land Acquired from City  
Lot 2**

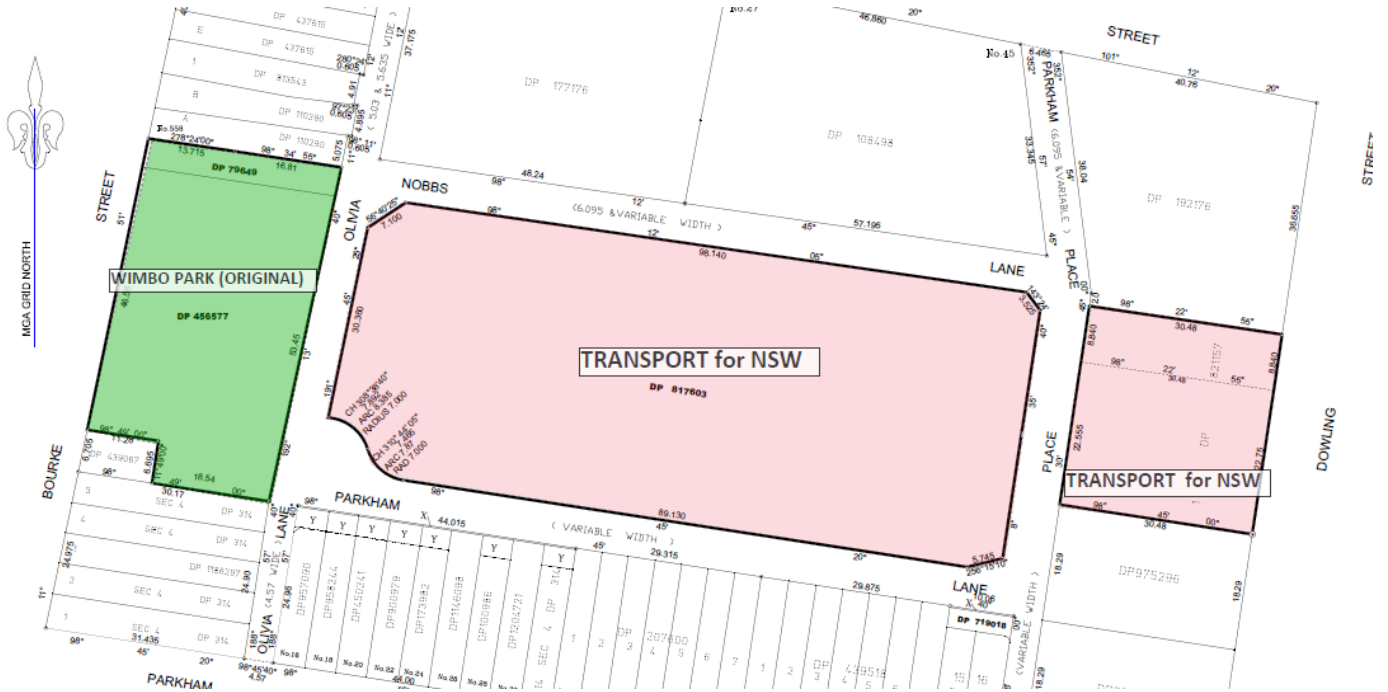


**Land dedicated as road to City  
Proposed Lots 11 and 12**



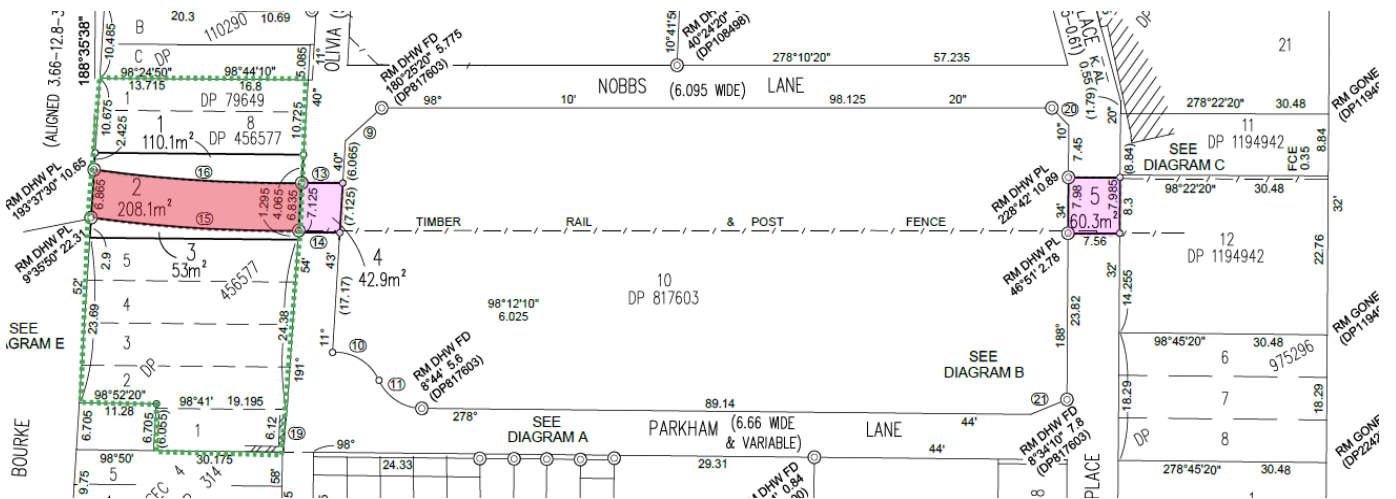


## PLAN PRE-ACQUISITION



Transport for NSW acquired land (shaded red) and original City owed Wimbo Park (shaded green)

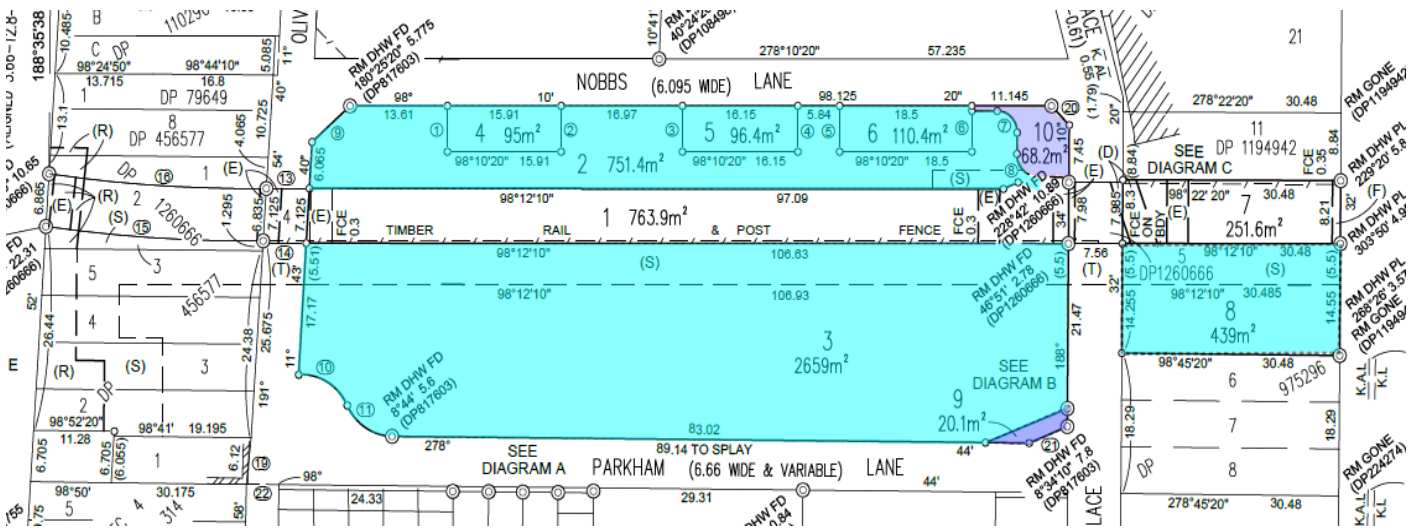
## ACQUISITION PLAN OF CITY OWNED LAND AND ROAD



Original Wimbo Park (green border)  
 Community land acquisition of part Wimbo Park (shaded red)  
 Acquisition of Part Olivia Lane and Part Parkham Place (shaded pink)

# COMPENSATION LAND

Comprising transfer land and road dedications

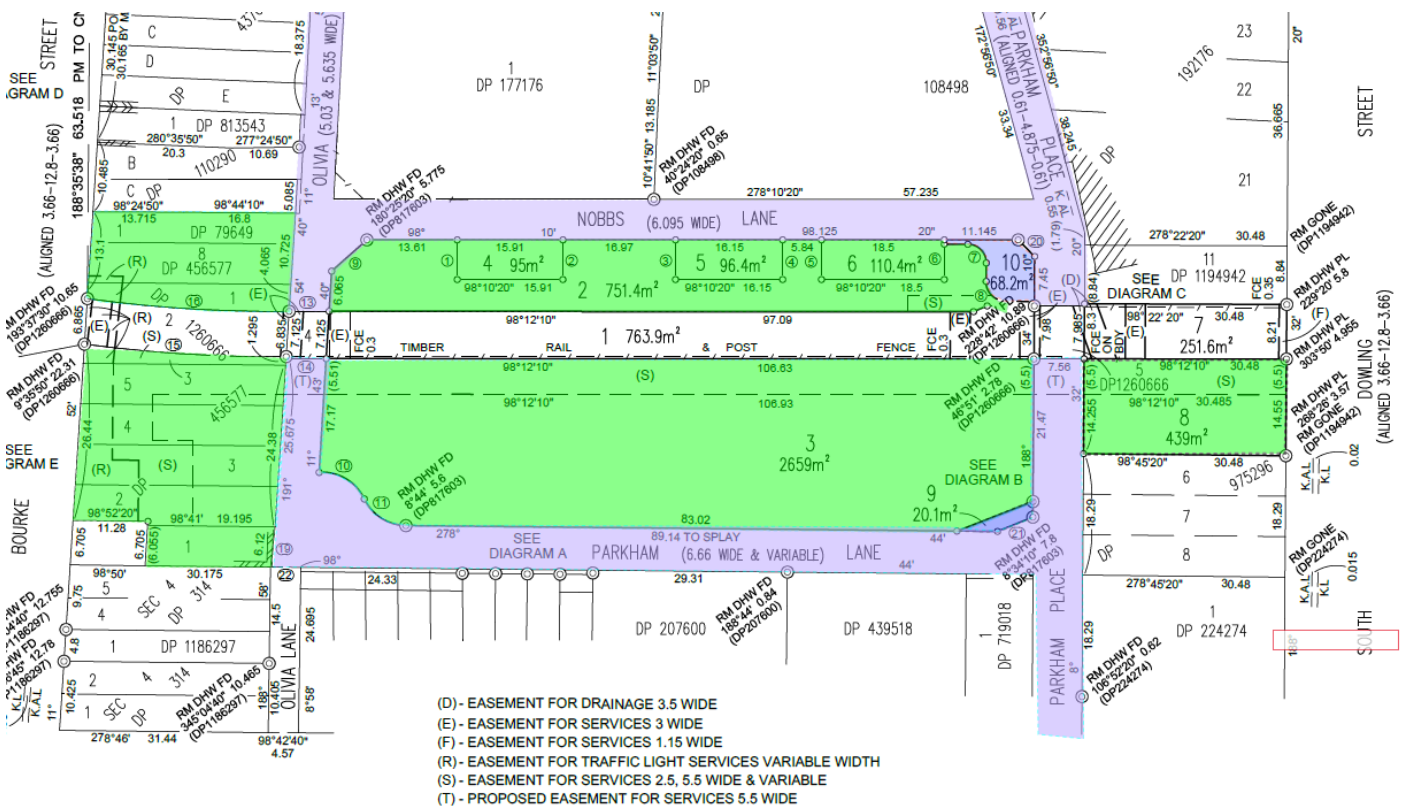


Transfer land (shaded blue)

Road dedications - cnr Nobbs Lane / Parkham Place and Parkham Lane / Parkham Place (shaded purple)

# CITY OWNED LAND POST SUBDIVISION

Plan showing City owned park and road



Park (shaded green)

Road showing dedications and existing road following acquisition shaded purple)

# FOCUS AREA – WIMBO PARK - PRESENT POSITION



## Acquisition Land

Land acquired by TfNSW from the City - Items 2, 5 and 12

## Compensation Land

Land transferred to the City      Items 7, 9, 15, 16, 17, 18

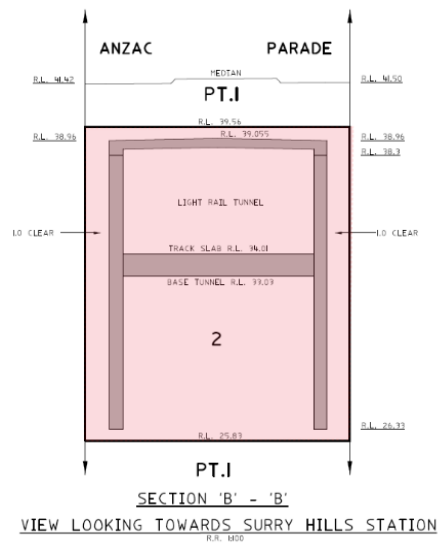
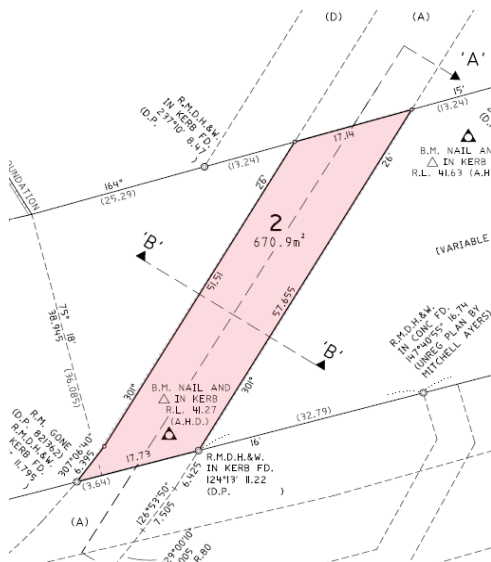
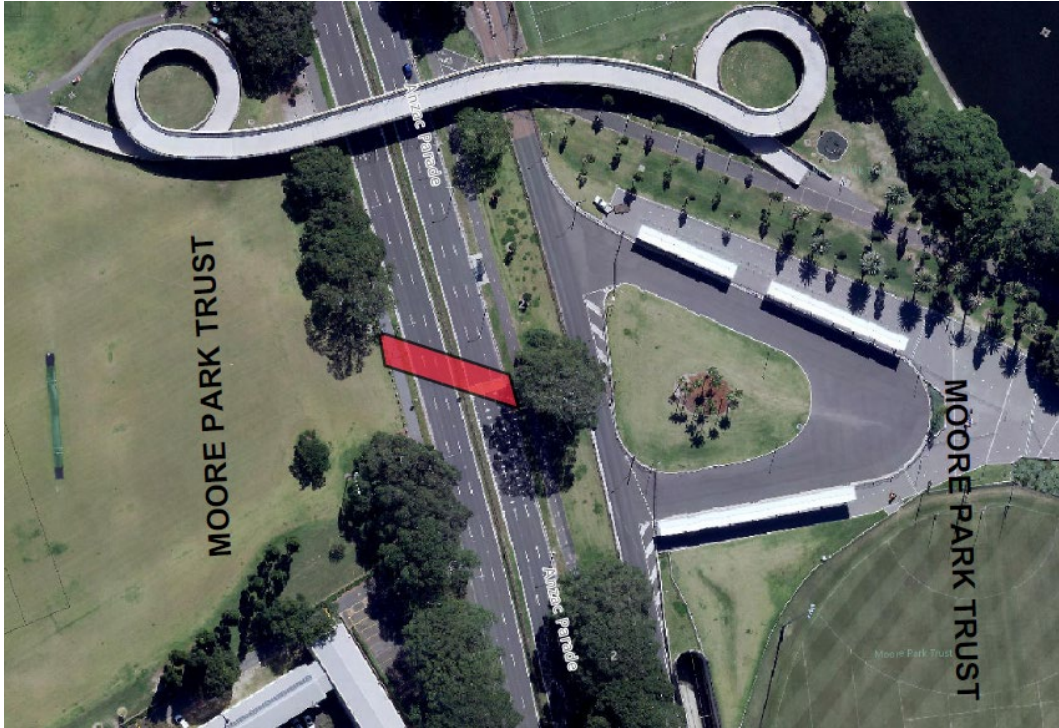
Road dedicated to the City      Items 10 and 11



# FOCUS AREA – ANZAC PARADE IDENTIFICATION PLAN

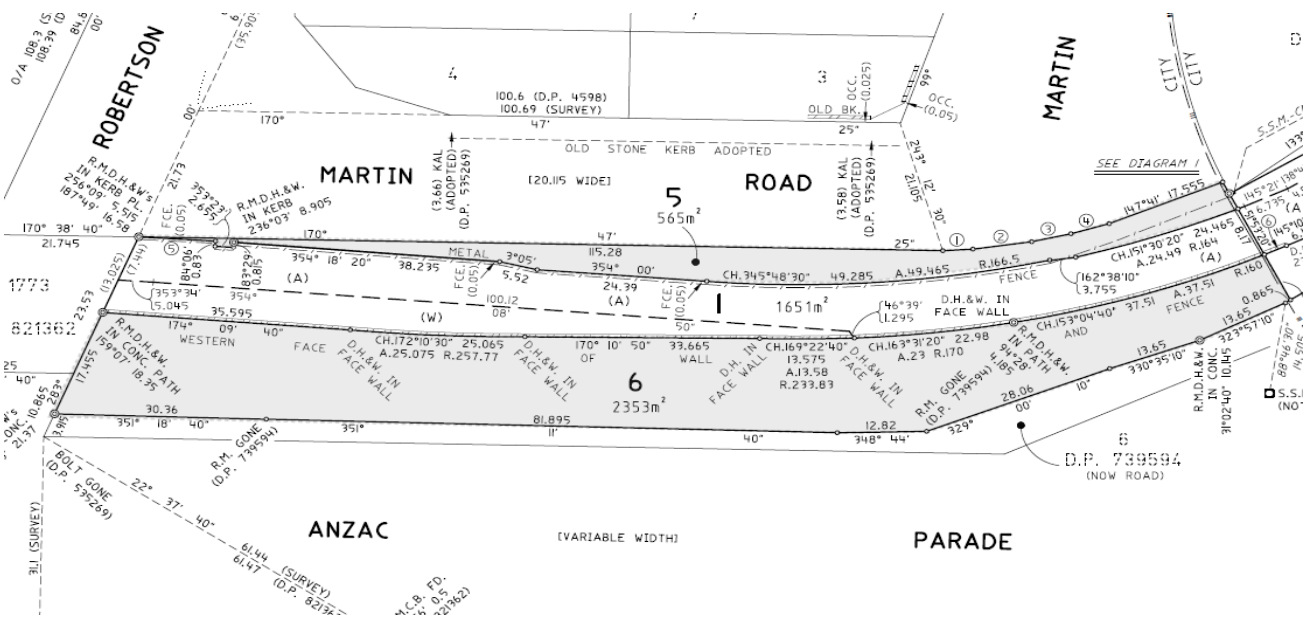
## ACQUISITION AND COMPENSATION LAND

### Acquisition Land Anzac Parade Tunnel Below Road



# Compensation Land – Road Dedications - Anzac Parade

## Proposed Lot 5 and Lot 6





## **Item 7.**

### **Land Classification (Confidential)**

**File No:** X073031

### **Summary**

This report relates to a land classification.

Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.

Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

### **Recommendation**

It is resolved that Council approve the recommendation contained within Confidential Attachment A to the subject report.

### **Attachments**

**Attachment A.** Land Classification (Confidential)

**Attachment B.** Land Classification (Confidential)

**Relevant Legislation**

1. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.
2. Attachments A and B contain confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.
3. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

**AMIT CHANAN**

Director City Property and Projects

Nicholas Male-Perkins, Commercial Manager

Document is Restricted

CONFIDENTIAL  
By virtue of the Local Government Act 1993 Section 10A Paragraph 2

Document is Restricted

**Item 8.**

**Part Closure and Sale - Jones Street, Pyrmont**

Document to Follow