

# **Attachment A**

**Draft 2022/23 Financial Statements**



# **DRAFT** General Purpose Financial Statements

Annual Report  
2022/23

The City of Sydney acknowledges the Gadigal of the Eora Nation as the Traditional Custodians of our local area.

**CITY OF SYDNEY** 

# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2023

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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 2023

### 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 2023.

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 2023

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 23 October 2023.**

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Clover Moore  
**Lord Mayor**  
dd MMMM yyyy

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Robert Kok  
**Councillor**  
dd MMMM yyyy

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Monica Barone  
**Chief Executive Officer**  
dd MMMM yyyy

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Bill Carter  
**Responsible Accounting Officer**  
dd MMMM yyyy

# Council of the City of Sydney

## Income Statement

for the year ended 30 June 2023

<i>Original unaudited budget</i> 2023	\$ '000	Notes	<i>Actual</i> 2023	<i>Restated Actual</i> 2022
<b>Income from continuing operations</b>				
387,503	Rates and annual charges	B2-1	<b>386,803</b>	376,728
126,851	User charges and fees	B2-2	<b>155,556</b>	95,513
38,973	Other revenue	B2-3	<b>37,054</b>	23,215
17,957	Grants and contributions provided for operating purposes	B2-4	<b>23,331</b>	19,223
68,857	Grants and contributions provided for capital purposes	B2-4	<b>148,531</b>	68,900
7,478	Interest and investment income	B2-5	<b>23,539</b>	5,189
79,819	Other income	B2-6	<b>76,155</b>	76,621
–	Net gain from the disposal of assets	B4-1	<b>3,134</b>	11,029
<u>727,438</u>	<b>Total income from continuing operations</b>		<u><b>854,103</b></u>	<u>676,418</u>
<b>Expenses from continuing operations</b>				
256,220	Employee benefits and on-costs	B3-1	<b>247,237</b>	238,234
218,149	Materials and services	B3-2	<b>261,931</b>	225,485
–	Borrowing costs	B3-3	<b>213</b>	228
114,413	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>121,060</b>	108,153
61,529	Other expenses	B3-5	<b>40,463</b>	39,451
<u>650,311</u>	<b>Total expenses from continuing operations</b>		<u><b>670,904</b></u>	<u>611,551</u>
<u>77,127</u>	<b>Operating result from continuing operations</b>		<u><b>183,199</b></u>	<u>64,867</u>
<u>77,127</u>	<b>Net operating result for the year attributable to Council</b>		<u><b>183,199</b></u>	<u>64,867</u>
<u>8,267</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u><b>34,668</b></u>	<u>(4,033)</u>

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 2023

<b>\$ '000</b>	Notes	<b>2023</b>	<i>Restated</i> <b>2022</b>
<b>Net operating result for the year – from Income Statement</b>		<b>183,199</b>	64,867
<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>958,905</b>	226,734
Movement in Trust Assets reserve - Crown land revaluation	C1-8	<b>492,565</b>	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,451,470</b>	226,734
<b>Total comprehensive income for the year attributable to Council</b>		<b>1,634,669</b>	291,601

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 2023

\$ '000	Notes	2023	Restated 2022	Restated 1 July 2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	60,871	63,790	51,051
Investments	C1-2	518,700	483,300	417,600
Receivables	C1-4	66,828	45,633	57,858
Inventories	C1-5	575	989	989
Contract assets	C1-6	20,146	23,560	17,195
Other	C1-11	9,235	7,828	6,997
Non-current assets classified as 'held for sale'	C1-7	–	26,837	35,599
<b>Total current assets</b>		<b>676,355</b>	<b>651,937</b>	<b>587,289</b>
<b>Non-current assets</b>				
Investments	C1-2	150,850	167,950	186,604
Receivables	C1-4	23,629	22,735	31,248
Infrastructure, property, plant and equipment (IPPE)	C1-8	13,270,194	11,761,843	11,467,606
Investment property	C1-9	509,643	399,172	384,259
Intangible assets	C1-10	42,551	36,144	52,550
Right of use assets	C2-1	10,049	10,961	12,551
Other	C1-11	84	98	112
<b>Total non-current assets</b>		<b>14,007,000</b>	<b>12,398,903</b>	<b>12,134,930</b>
<b>Total assets</b>		<b>14,683,355</b>	<b>13,050,840</b>	<b>12,722,219</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	107,649	104,375	104,047
Contract liabilities	C3-2	23,693	30,040	27,467
Lease liabilities	C2-1	300	234	203
Employee benefit provisions	C3-4	65,957	61,279	63,717
Provisions	C3-5	18,651	19,798	9,927
<b>Total current liabilities</b>		<b>216,250</b>	<b>215,726</b>	<b>205,361</b>
<b>Non-current liabilities</b>				
Contract liabilities	C3-2	73,487	70,437	46,070
Lease liabilities	C2-1	10,672	11,522	12,960
Employee benefit provisions	C3-4	2,352	4,142	5,104
Provisions	C3-5	24,178	27,266	22,578
<b>Total non-current liabilities</b>		<b>110,689</b>	<b>113,367</b>	<b>86,712</b>
<b>Total liabilities</b>		<b>326,939</b>	<b>329,093</b>	<b>292,073</b>
<b>Net assets</b>		<b>14,356,416</b>	<b>12,721,747</b>	<b>12,430,146</b>
<b>EQUITY</b>				
Accumulated surplus		4,442,963	4,259,764	4,194,597
IPPE revaluation reserve	C4-1	6,424,257	5,465,352	5,221,658
Trust Assets Reserve	C4-1	3,489,196	2,996,631	3,013,891
<b>Total equity</b>		<b>14,356,416</b>	<b>12,721,747</b>	<b>12,430,146</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 2023

\$ '000	Notes	2023				2022			
		Accumulated surplus	IPPE revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus <i>Restated</i>	IPPE revaluation reserve <i>Restated</i>	Trust assets reserve	Total equity <i>Restated</i>
Opening balance at 1 July		4,259,764	5,465,352	2,996,631	12,721,747	4,192,250	5,227,265	3,013,891	12,433,406
Correction of prior period errors - to 1 July 2021 <sup>1</sup>	G4-2	-	-	-	-	2,347	(5,606)	-	(3,259)
<b>Opening balance</b>		<b>4,259,764</b>	<b>5,465,352</b>	<b>2,996,631</b>	<b>12,721,747</b>	<b>4,194,597</b>	<b>5,221,658</b>	<b>3,013,891</b>	<b>12,430,146</b>
Net operating result for the year		183,199	-	-	183,199	64,950	-	-	64,950
Correction of prior period errors - adjustment of comparative period	G4-2	-	-	-	-	(83)	-	-	(83)
<b>Net operating result for the year</b>		<b>183,199</b>	<b>-</b>	<b>-</b>	<b>183,199</b>	<b>64,867</b>	<b>-</b>	<b>-</b>	<b>64,867</b>
<b>Other comprehensive income</b>									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	-	958,905	492,565	1,451,470	-	226,734	-	226,734
<b>Other comprehensive income</b>		<b>-</b>	<b>958,905</b>	<b>492,565</b>	<b>1,451,470</b>	<b>-</b>	<b>226,734</b>	<b>-</b>	<b>226,734</b>
<b>Total comprehensive income</b>		<b>183,199</b>	<b>958,905</b>	<b>492,565</b>	<b>1,634,669</b>	<b>64,867</b>	<b>226,734</b>	<b>-</b>	<b>291,601</b>
Transfers between equity items <sup>2</sup>		-	-	-	-	300	16,960	(17,260)	-
<b>Closing balance at 30 June</b>		<b>4,442,963</b>	<b>6,424,257</b>	<b>3,489,196</b>	<b>14,356,416</b>	<b>4,259,764</b>	<b>5,465,352</b>	<b>2,996,631</b>	<b>12,721,747</b>

(1) In 2022/23, a comprehensive revaluation of Land Under Roads assets resulted in a correction of prior period error, impacting Council's Opening Equity at 1/7/2021. Details of the correction are provided at Note G4-2 to these statements.

(2) In 2021/22, Council accepted transfer of two parcels of land from the NSW Government that were previously held as Crown/Third Party Owned Land. Upon transfer, Council has also transferred the asset value between equity classifications, to reflect the change in ownership status

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 2023

<i>Original unaudited budget 2023</i>	<i>\$ '000</i>	Notes	<i>Actual 2023</i>	<i>Actual 2022</i>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
387,503	Rates and annual charges		<b>387,641</b>	377,325
134,889	User charges and fees		<b>144,392</b>	110,625
7,477	Interest received		<b>16,443</b>	5,866
82,814	Grants and contributions		<b>125,171</b>	124,822
–	Bonds, deposits and retentions received		<b>17,251</b>	9,070
127,791	Other receipts from Operating Activities		<b>145,972</b>	114,913
<b>Payments:</b>				
(256,220)	Payments to employees		<b>(247,672)</b>	(232,192)
(217,977)	Payments for materials and services		<b>(259,013)</b>	(276,303)
–	Borrowing costs		<b>(213)</b>	(228)
–	Bonds, deposits and retentions refunded		<b>(21,363)</b>	(11,907)
(60,921)	Other payments for Operating Activities		<b>(60,303)</b>	(42,400)
205,356	<b>Net cash provided by operating activities</b>	G1-1(a)	<b>248,306</b>	179,591
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
36,300	Sale/Redemption of investment securities - Floating Rate Notes		<b>36,300</b>	19,600
447,000	Redemption of term deposits		<b>502,000</b>	556,000
8,625	Sale of infrastructure, property, plant and equipment and non-current assets held for sale		<b>28,764</b>	69,303
20,457	Sale of intangible assets		<b>–</b>	–
<b>Payments:</b>				
–	Purchase of investments - Floating Rate Notes		<b>(46,333)</b>	(32,649)
(324,359)	Acquisition of term deposits		<b>(510,000)</b>	(590,000)
(155,719)	Payments for investment property - acquisition and works		<b>(116,528)</b>	(939)
(246,269)	Payments for IPPE		<b>(128,688)</b>	(178,774)
(6,960)	Purchase of intangible assets		<b>(16,482)</b>	(9,170)
(220,925)	<b>Net cash flows from investing activities</b>		<b>(250,967)</b>	(166,629)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
–	Principal component of lease payments		<b>(258)</b>	(223)
–	<b>Net cash flows from financing activities</b>		<b>(258)</b>	(223)
<b>(15,569)</b>	<b>Net change in cash and cash equivalents</b>		<b>(2,919)</b>	12,739
58,621	Cash and cash equivalents at beginning of year		<b>63,790</b>	51,051
<b>43,052</b>	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>60,871</b>	63,790
439,538	plus: Investments on hand at end of year	C1-2	<b>669,550</b>	651,250
<b>482,590</b>	<b>Total cash, cash equivalents and investments</b>		<b>730,421</b>	715,040

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

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# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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 23 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

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 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) employee benefit provisions – refer Note C3-4
- (iv) estimated former depot remediation provisions – refer Note C3-5
- (v) estimated rental waivers provision – refer Note C3-5
- (vi) estimated workers compensation self insurance provision – refer Note C3-5.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### A1-1 Basis of preparation (continued)

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

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

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

##### **The Consolidated Fund**

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

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.

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

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

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### A1-1 Basis of preparation (continued)

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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 potentially material impact on Council's future financial performance, financial position and cash flows) are set out below:

#### **AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities**

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an asset's highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

#### **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.**

*AASB 101 Presentation of Financial Statements* requires the disclosure of material accounting policy information rather than significant accounting policies.

*"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."*

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### A1-1 Basis of preparation (continued)

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- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that '*Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.*'

This standard has an effective date for the 30 June 2024 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 for the first time at 30 June 2023:

- *AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments*

Neither standard had a significant impact on Council's financial statements for the year ended 30 June 2023.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B Financial Performance

#### B1 Functions or activities

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

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>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
<b>Functions or activities</b>										
Responsible governance and stewardship	<b>178,409</b>	162,677	<b>231,049</b>	223,118	<b>(52,640)</b>	(60,441)	<b>29,575</b>	9,053	<b>5,277,139</b>	4,759,788
A leading environmental performer	<b>5,572</b>	2,454	<b>96,990</b>	87,371	<b>(91,418)</b>	(84,917)	<b>4,186</b>	1,500	<b>381,819</b>	364,323
Public places for all <sup>2</sup>	<b>127,050</b>	68,745	<b>148,867</b>	124,521	<b>(21,817)</b>	(55,776)	<b>58,541</b>	36,689	<b>8,703,810</b>	7,580,671
Design excellence and sustainable development	<b>22,215</b>	16,753	<b>47,937</b>	48,189	<b>(25,722)</b>	(31,436)	<b>11,707</b>	2,405	<b>158,896</b>	203,752
A city for walking, cycling and public transport	<b>97,967</b>	55,265	<b>14,468</b>	13,144	<b>83,499</b>	42,121	<b>38,200</b>	15,844	<b>87,329</b>	73,991
An equitable and inclusive city	<b>13,837</b>	10,809	<b>37,892</b>	36,353	<b>(24,055)</b>	(25,544)	<b>11,952</b>	9,105	<b>2,291</b>	3,100
Resilient and diverse communities	<b>50,482</b>	29,423	<b>48,759</b>	40,100	<b>1,723</b>	(10,677)	<b>1,689</b>	759	<b>5,150</b>	5,103
A thriving cultural and creative life	<b>3,536</b>	1,558	<b>12,683</b>	11,378	<b>(9,147)</b>	(9,820)	<b>2,699</b>	1,074	<b>65,663</b>	58,750
A transformed and innovative economy	<b>1,428</b>	1,880	<b>29,441</b>	25,164	<b>(28,013)</b>	(23,284)	<b>1,251</b>	1,667	<b>1,258</b>	1,362
Housing for all	<b>–</b>	–	<b>2,819</b>	2,213	<b>(2,819)</b>	(2,213)	<b>–</b>	–	<b>–</b>	–
General purpose income	<b>353,608</b>	326,854	<b>–</b>	–	<b>353,608</b>	326,854	<b>12,062</b>	10,027	<b>–</b>	–
<b>Total functions and activities</b>	<b>854,104</b>	<b>676,418</b>	<b>670,905</b>	<b>611,551</b>	<b>183,199</b>	<b>64,867</b>	<b>171,862</b>	<b>88,123</b>	<b>14,683,355</b>	<b>13,050,840</b>

(1) Council's functions and activities have been adjusted to reflect the updated Community Strategic Plan: Sustainable Sydney 2030-2050 Continuing the Vision, which came into effect from 1 July 2023. Prior year comparatives by function/activity have been restated to reflect a consistent basis of preparation.

(2) Prior year comparatives (2021/22) were restated for Income, Grants & Contributions and Assets. Refer Note G4-2 for further information.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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:

Council's principal activities align with the Strategic Directions contained within the Community Strategic Plan: *Sustainable Sydney 2030-2050 Continuing the Vision*. The descriptions below reflect the Strategic Directions broadly, and provide a summary of Council's operations and activities that contribute to the achievement of each.

#### **Responsible governance and stewardship**

Our organisation continues to evolve to provide governance and leadership for the city and communities. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all of Council's functions. Activities include: Customer Service, Governance, Risk Management, Media and Communications, Councillor Support and corporate services such as People and Culture, Finance, Information Services and Legal Services.

#### **A leading environmental performer**

Our communities live in a city that is regenerative and makes a positive contribution to the planet, to society and to individual lives. We are innovative leaders in climate change adaptation and innovation. The city is part of a decarbonised world. Activities include sustainability programs, cleansing, waste and recycling services, stormwater management and tree management.

#### **Public places for all**

The city has more places for people who live, work, invest and visit here. The history of the city and connections to Aboriginal and Torres Strait Islander peoples is evident in our public places. The city centre is an inviting and lively place, clean and safe, day and night, and with creativity and public art at its heart. Our local main streets are thriving hubs with their own distinctive characters. Activities include Parks management, Aquatic and Leisure Centres, sporting venues and facilities, and Public Domain Infrastructure.

#### **Design excellence and sustainable development**

The city will continue to grow sustainably and with good design. Communities are inclusive, socially connected, healthy, and live in walkable well-serviced neighbourhoods, supported by public transport. We take the impact of our changing climate into account in the policies that influence development in the city. Activities include City Design, Strategic Planning, Health and Building Services and Project Design and Construction.

#### **A city for walking, cycling and public transport**

The city is greener and calmer, with more space for people on the streets – including footpaths and cycleways. More people choose to walk, ride and use public transport. All vehicles in the city are zero emissions. Activities include Parking Management and Transport and Access Strategy.

#### **An equitable and inclusive city**

Everyone feels welcome and can afford to live here if they choose. Everyone can participate, prosper, and reach their full potential in a city that is fair and just. Activities include Grants and Sponsorships programs, Childcare services, Libraries, Meals on Wheels and Community Relations.

#### **Resilient and diverse communities**

The city and its public places and infrastructure can withstand impacts from a changing climate and emergency situations. We work with communities, businesses, and other organisations to strengthen connections and networks, to prepare the city and be able to recover from most situations. Activities include Aged Care Services, Social Policy and Programs, Community Centres, Safe City, Security and City Rangers.

#### **A thriving cultural and creative life**

We are proud of the city and are all able to participate in, contribute to and benefit from the city's cultural life. Activities include Culture and Creativity programs, Cultural Venues and History and Curatorial

#### **A transformed and innovative economy**

The city maintains its position locally, nationally, and internationally as a destination for business, investment, and talent. Innovation is central to the economy and transformation has occurred across all industries. Wealth and benefits are shared equitably. Activities include Strategy and Urban Analytics, Major Events, Night Time Economy and Business and Tourism Engagement.

#### **Housing for all**

This is a city where everyone has a home. Social, affordable, and supported housing is available for those who need it. High-quality housing is available for everyone. Activities include Homelessness services and Housing Policy and Advocacy.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2 Sources of income

#### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	84,119	81,684
Business	239,507	232,832
Less: pensioner rebates (mandatory)	(417)	(413)
Less: pensioner rebates (Council policy)	(1,793)	(1,800)
<b>Rates levied to ratepayers</b>	<b>321,416</b>	<b>312,303</b>
Pensioner rate subsidies received	227	230
<b>Total ordinary rates</b>	<b>321,643</b>	<b>312,533</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	64,244	63,278
Stormwater management services	2,139	2,133
Less: pensioner rebates (mandatory)	(244)	(258)
Less: pensioner rebates (Council policy)	(1,112)	(1,102)
<b>Annual charges levied</b>	<b>65,027</b>	<b>64,051</b>
Pensioner annual charges subsidies received:		
– Domestic waste management	133	144
<b>Total annual charges</b>	<b>65,160</b>	<b>64,195</b>
<b>Total rates and annual charges</b>	<b>386,803</b>	<b>376,728</b>

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates. Valuations utilised for rates calculations are generally refreshed every three years. 2022 year valuations were utilised to calculate rates levies for the 2023/24 financial year.

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-2 User charges and fees

\$ '000	Timing	2023	2022
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>			
Planning and building regulation	2	18,477	16,378
Private works – section 67	2	5,847	5,023
Health inspections	2	1,654	1,079
<b>Total fees and charges – statutory/regulatory</b>		<b>25,978</b>	<b>22,480</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>			
Child care	1	1,172	1,039
Advertising space income	1	31,078	3,750
Parking meter income	2	38,904	28,185
Parking station income	2	10,137	7,274
Recreation facilities hire	2	21,232	12,579
Venue hire	1	5,960	2,697
Workzone and filming fees	2	14,605	12,875
Other	2	6,490	4,634
<b>Total fees and charges – other</b>		<b>129,578</b>	<b>73,033</b>
<b>Total other user charges and fees</b>		<b>155,556</b>	<b>95,513</b>
<b>Total user charges and fees</b>		<b>155,556</b>	<b>95,513</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		38,210	7,486
User charges and fees recognised at a point in time (2)		117,346	88,027
<b>Total user charges and fees</b>		<b>155,556</b>	<b>95,513</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.

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-3 Other revenue

<b>\$ '000</b>	<i>Timing</i>	<b>2023</b>	<b>2022</b>
Award of heritage floor space	2	<b>1,038</b>	–
Ex gratia rates	2	<b>724</b>	876
Fines	2	<b>34,206</b>	20,864
Sponsorship and donations	2	<b>178</b>	205
Other	2	<b>908</b>	1,270
<b>Total other revenue</b>		<b>37,054</b>	<b>23,215</b>

#### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		<b>37,054</b>	23,215
<b>Total other revenue</b>		<b>37,054</b>	<b>23,215</b>

#### Accounting policy

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

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

Parking and ordinance fines are recognised as revenue when the penalty has been applied. Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	7,684	6,519	–	–
Financial assistance – local roads component	2	2,189	1,754	–	–
<b>Amount recognised as income during current year</b>		<b>9,873</b>	<b>8,273</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Child care	2	2,473	2,475	–	–
Environmental programs <sup>1</sup>	1	(9)	111	1,108	580
Library	2	749	718	–	–
Community and recreation	1	2,625	3,727	–	–
Transport (other roads and bridges funding)	1	4,402	827	17,878	5,447
External contributions to capital projects	2	–	–	2,520	3,284
Other contributions	2	3,218	3,092	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>13,458</b>	<b>10,950</b>	<b>21,506</b>	<b>9,311</b>
<b>Non-cash contributions</b>					
Land dedications <sup>2</sup>	2	–	–	2,984	5,867
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>2,984</b>	<b>5,867</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>13,458</b>	<b>10,950</b>	<b>24,490</b>	<b>15,178</b>
<b>Total grants and non-developer contributions</b>		<b>23,331</b>	<b>19,223</b>	<b>24,490</b>	<b>15,178</b>
<b>Comprising:</b>					
– Commonwealth funding		11,953	10,115	2,608	537
– State funding		8,160	6,015	16,378	5,490
– Other funding		3,218	3,093	5,504	9,151
		<b>23,331</b>	<b>19,223</b>	<b>24,490</b>	<b>15,178</b>

(1) The negative income amount shown for 2022/23 represents a minor refund of a grant amount prematurely recognised as income in a prior financial year and subsequently returned to the grant provider.

(2) Prior year comparative (2021/22) restated. refer note G4-2 for further information

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

#### Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G5					
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	16,635	25,114
S 7.11 – contributions towards amenities/services		2	–	–	25,806	4,874
S 7.12 – fixed development consent levies		2	–	–	24,484	7,138
S 61 – fixed development consent levies		2	–	–	24,073	14,044
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>90,998</b>	<b>51,170</b>
<b>Non-cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	32,938	2,552
S 7.11 – contributions towards amenities/services		2	–	–	105	–
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>33,043</b>	<b>2,552</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>124,041</b>	<b>53,722</b>
<b>Total grants and contributions</b>			<b>23,331</b>	<b>19,223</b>	<b>148,531</b>	<b>68,900</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			7,018	4,665	18,986	6,027
Grants and contributions recognised at a point in time (2)			16,313	14,558	129,545	62,873
<b>Total grants and contributions</b>			<b>23,331</b>	<b>19,223</b>	<b>148,531</b>	<b>68,900</b>

#### 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 2023	Operating 2022	Capital 2023	Capital 2022
<b>Grants</b>				
Unspent funds at 1 July	1,681	2,384	1,457	898
<b>Add:</b> Funds received and not recognised as revenue in the current year	3,538	1,681	529	1,457
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(1,681)	(2,384)	(1,457)	(898)
<b>Unspent grants at 30 June</b>	<b>3,538</b>	<b>1,681</b>	<b>529</b>	<b>1,457</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

\$ '000	<i>Operating</i> 2023	<i>Operating</i> 2022	<i>Capital</i> 2023	<i>Capital</i> 2022
<b>Contributions</b> <sup>1</sup>				
Unspent cash contributions and future works receivable at 1 July	–	–	66,762	77,806
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	30,085	13,683
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(8,494)	(24,727)
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>88,353</b>	<b>66,762</b>

(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.

#### Accounting policy

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

Grant and contribution revenue from an enforceable agreement containing 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), and section 61 of the *City of Sydney Act 1988*.

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.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

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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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-5 Interest and investment income

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	392	519
– Cash and investments	23,147	4,673
<b>Amortisation of premiums and discounts</b>		
– Financial assets at amortised cost	–	(3)
<b>Total interest and investment income (losses)</b>	<b>23,539</b>	<b>5,189</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	392	520
General Council cash and investments	12,932	2,232
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Planning agreements/bonus floorspace levy	1,514	254
Domestic waste management operations	1,297	258
Specific Purpose Unexpended Grants	121	23
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	7,283	1,902
<b>Total interest and investment income</b>	<b>23,539</b>	<b>5,189</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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-6 Other income

\$ '000	Notes	2023	2022
<b>Fair value increment/(decrement) on investment properties</b>			
Fair value increment/(decrement) on investment properties		(1,198)	13,980
<b>Total fair value increment/(decrement) on investment properties</b>	C1-9	<b>(1,198)</b>	<b>13,980</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income - investment properties		20,369	17,758
<b>Total investment properties lease income</b>		<b>20,369</b>	<b>17,758</b>
<b>Other commercial property income</b>			
Lease income from Council properties not classified as Investment Property under AASB 140		42,148	32,953
Lease income relating to variable lease payments not dependent on an index or a rate		14,569	11,930
<b>Total other lease income</b>		<b>56,717</b>	<b>44,883</b>
<b>Total rental income</b>	C2-2	<b>77,086</b>	<b>62,641</b>
<b>Reversal of prior year losses on investments</b>			
Recovery of prior year losses - Collateralised Debt Obligations (CDOs)		267	-
<b>Total Fair value increment on investments</b>		<b>267</b>	<b>-</b>
<b>Total other income</b>		<b>76,155</b>	<b>76,621</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3 Costs of providing services

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

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Salaries and wages	<b>203,789</b>	191,869
Travel expenses	<b>133</b>	64
Employee leave entitlements (ELE)	<b>22,495</b>	16,439
Superannuation – defined contribution plans	<b>18,049</b>	16,819
Superannuation – defined benefit plans	<b>3,224</b>	2,279
Workers' compensation insurance	<b>1,318</b>	14,157
Fringe benefit tax (FBT)	<b>508</b>	301
Training costs (other than salaries and wages)	<b>1,340</b>	890
Other	<b>1,644</b>	1,366
<b>Total employee costs</b>	<b>252,500</b>	<b>244,184</b>
Less: capitalised costs	<b>(5,263)</b>	(5,950)
<b>Total employee costs expensed</b>	<b>247,237</b>	<b>238,234</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>1,743</b>	1,723

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-2 Materials and services

\$ '000	Notes	2023	2022
Advertising		851	1,106
Asset maintenance and minor purchases		9,420	7,741
Audit Fees	F2-1	308	236
Bank charges		1,979	1,623
Books and periodicals		61	102
<b>Contractor and consultancy costs:</b>			
– Building and facilities management		60,365	48,825
– City infrastructure management		15,390	8,091
– Consultancies		2,957	3,093
– Parks management		22,428	20,104
– Project costs and minor contracts		39,642	35,865
– Waste disposal, recycling and graffiti removal		35,721	35,060
Election expenses		7	1,183
Computing costs		14,186	12,363
Councillor and Mayoral fees and associated expenses	F1-2	884	797
Event and project costs		12,722	8,894
Insurance		5,435	5,004
Land tax and water rates		1,909	1,342
Parking enforcement – payment to NSW government		3,391	586
Property related expenditure - other		3,114	2,222
Postage and couriers		1,232	1,210
Printing and stationery		1,161	1,017
Public domain enhancement contributions		1,745	5,043
Raw materials and consumables		5,249	4,493
Research and development		310	269
Security		2,566	2,107
Storage		688	689
Street lighting		3,714	3,852
Telephone and communications		2,310	2,278
Utilities		7,221	5,267
<b>Legal expenses:</b>			
– Legal expenses: planning and development		284	468
– Legal expenses: other		1,114	1,219
<b>Lease expenses:</b>			
– Expenses from short-term leases		48	–
– Expenses from leases of low value assets		79	69
– Variable lease expense relating to usage		632	441
Other materials and services		3,441	3,273
<b>Total materials and services</b>		<b>262,564</b>	<b>225,932</b>
Less: capitalised costs		(633)	(447)
<b>Total materials and services</b>		<b>261,931</b>	<b>225,485</b>

#### Accounting policy

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

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-3 Borrowing costs

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>(i) Interest bearing liability costs</b>		
Interest expense relating to leases	<u>213</u>	<u>228</u>
<b>Total borrowing costs expensed</b>	<u><b>213</b></u>	<u><b>228</b></u>

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	Notes	2023	2022
<b>Infrastructure, Property, Plant and Equipment (IPPE)</b>	C1-8		
Plant and equipment		8,473	9,498
Office equipment		4,121	3,306
Furniture and fittings		3,436	3,510
<b>Infrastructure:</b>			
– Buildings – non-specialised		34,915	32,222
– Buildings – specialised		766	587
– Roads		23,772	21,183
– Stormwater drainage		7,005	4,322
– Open space/recreational assets		22,409	21,228
<b>Other assets:</b>			
– Library books		872	959
– Poles and lighting		3,542	3,352
– Public art / open museum		618	590
<b>Right of use assets</b>	C2-1	386	406
<b>Intangible assets – software (amortisation)</b>	C1-10	10,745	6,990
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>121,060</b>	<b>108,153</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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-5 Other expenses

<b>\$ '000</b>	Notes	<b>2023</b>	<b>2022</b>
<b>Impairment of receivables</b>			
Properties and sundry debtors		<b>1,148</b>	866
<b>Total impairment of receivables</b>	C1-4	<b>1,148</b>	<b>866</b>
<b>Other</b>			
Contributions/levies to other levels of government		<b>17,298</b>	15,459
Donations, contributions and assistance to other organisations (Section 356)		<b>22,017</b>	23,126
<b>Total other</b>		<b>39,315</b>	<b>38,585</b>
<b>Total other expenses</b>		<b>40,463</b>	<b>39,451</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.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B4 Gains or losses

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

\$ '000	Notes	2023	2022
<b>Gain (or loss) on disposal of property (excl. investment property)</b>	C1-8		
Proceeds from disposal – property		4,225	8,240
Less: carrying amount of property assets sold/written off		(1,795)	(3,601)
<b>Gain (or loss) on disposal</b>		<b>2,430</b>	<b>4,639</b>
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-8		
Proceeds from disposal – plant and equipment		850	1,572
Less: carrying amount of plant and equipment assets sold/written off		(141)	(271)
<b>Gain (or loss) on disposal</b>		<b>709</b>	<b>1,301</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		(3,132)	(1,218)
<b>Gain (or loss) on disposal</b>		<b>(3,132)</b>	<b>(1,218)</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		36,300	19,600
Less: carrying amount of investments sold/redeemed/matured		(36,300)	(19,600)
<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		502,000	556,000
Less: carrying amount of term deposits sold/redeemed/matured		(502,000)	(556,000)
<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'		23,689	38,200
Less: carrying amount of 'held for sale' assets sold/written off		(20,562)	(31,893)
<b>Gain (or loss) on disposal</b>		<b>3,127</b>	<b>6,307</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>3,134</b>	<b>11,029</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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### B5 Performance against budget

#### B5-1 Material budget variations

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

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, in order to manage variations 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	2023 <i>Budget</i>	2023 <i>Actual</i>	2023 <i>Variance</i>	
<b>Revenues</b>				
<b>User charges and fees</b>	<b>126,851</b>	<b>155,556</b>	<b>28,705</b>	<b>23% F</b>
User Fees and Charges were favourable to budget due to recognition of the sign-on fees that formed part of the new Street Furniture contract (following the completion of initial delivery milestones) and a one off catch-up on caterer's turnover income, from prior years, following the finalisation of contract variation negotiations covering impact of Covid-19 restriction period. Neither payment was anticipated in the budget. In addition, aquatics facility management fees were included in the Materials and Services expenses as a single total netted off against income in the original budget. Actual results in the financial statements incorporate both gross income and expenditure, thereby significantly increasing the amounts shown for facility management fees as part of this category. These favourable variances were offset in part by building development related income where activity was lower than anticipated in the budget.				
<b>Operating grants and contributions</b>	<b>17,957</b>	<b>23,331</b>	<b>5,374</b>	<b>30% F</b>
Council was successfully awarded a grant as part of the Regional and Local Roads Program that was not included in the original budget. The associated works to remediate infrastructure will continue into the new financial year. In addition, The Federal Government Financial Assistance Grants for the 2023/24 financial year were received in full in June 2023, having been anticipated to be received in 2023/24.				
<b>Interest and investment revenue</b>	<b>7,478</b>	<b>23,539</b>	<b>16,061</b>	<b>215% F</b>
The favourable balance in interest and investment income was the result of higher opening cash balances and lower capital expenditure than anticipated in the budget, combined with the significant increase in interest rates offered in the second half of the financial year.				
<b>Capital grants and contributions</b>	<b>68,857</b>	<b>148,531</b>	<b>79,674</b>	<b>116% F</b>
Capital contributions were favourable to budget. The timing of these contributions is difficult to predict. Developer contributions rebounded to pre-pandemic levels, which were significantly higher than budget which had assumed an extended reduction in development activity. In particular, contributions toward development in the CBD, under the Central Sydney plans, were significantly favourable to budget. In addition, large contributions associated with mixed residential and retail developments in Rosebery and Waterloo were received. In addition, a number of substantial Works in Kind contributions and land dedications were received for developments in the CBD. These contributions are recognised as revenue when the agreed value is secured via lodgement of a bank guarantee and/or cash security deposit. The timing of delivery or receipt of these contributions is contingent on development progress and difficult to forecast.				
<b>Net gains from disposal of assets</b>	<b>-</b>	<b>3,134</b>	<b>3,134</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, in large				

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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part, the sale proceeds of the City's heritage floor space in excess of the asset book value and the compulsory acquisition of Council land by Transport for NSW in the CBD.

#### Expenses

<b>Materials and services</b>	218,149	261,931	(43,782)	(20)%	<b>U</b>
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Council's adopted budget included waste collection expenses entirely within the Other Expenses category. 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 collection costs (\$16.2M) to Materials and Contracts with the balance (approx \$4.8M) 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 of 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. Finally, as noted in the User Charges and Fees commentary above, the budget for aquatics facility management fees was included as a net total. 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 including consultancies, surveys and studies and the non utilisation of operational contingencies.

<b>Other expenses</b>	61,529	40,463	21,066	34%	<b>F</b>
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Council's adopted budget included approximately \$23.4M 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 \$4.8M) retained in Other expenses - contributions/levies to other levels of Government. Prior year comparatives have similarly been reclassified. The overall savings in this category were further realised as a result of lower enforcement fine processing fees paid to the NSW Government. In addition, grant expenses were lower than budgeted, largely due to the later than anticipated opening of the Business Innovation Space in the CBD and the deferred payment of an affordable housing grant to a community housing provider due project delays (grant now expected to be paid in 2023/24).

#### Statement of cash flows

<b>Cash flows from operating activities</b>	205,356	248,306	42,950	21%	<b>F</b>
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The favourable budget variations in key revenue and expense items detailed above generated cash flows from operating activities in excess of budget. As described above, developer contributions considerably exceeded conservative budgets, one-off income amounts were received in respect of major contracts for street furniture and catering and significant increases in interest rates combined with higher than budgeted cash and investment balances to generate favourable interest returns against budget.

<b>Cash flows from investing activities</b>	(220,925)	(250,967)	(30,042)	14%	<b>U</b>
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The unfavourable performance against budget reflects higher than anticipated cash balances being placed into investments. Lower than anticipated capital works and property acquisition expenditure meant that cash on hand exceeded budgeted expectations. In particular, Council acquired an additional investment property for an amount lower than the provisional acquisition budget. Savings from this property acquisition and lower than budgeted capital expenditure augmented favourable cash from operating activities and higher than budgeted opening balances of cash and investments. Accordingly, investing activity - both maturities and acquisition of new investments - exceeded budgeted levels. Unspent capital project budgets are substantially revoted into the future year budget, with Council's endorsement.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C Financial position

#### C1 Assets we manage

##### C1-1 Cash and cash equivalents

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Cash assets</b>		
Cash on hand and at bank	<b>3,301</b>	4,526
Cash equivalent assets		
– Deposits at call	<b>57,570</b>	59,264
<b>Total cash and cash equivalents</b>	<b>60,871</b>	<b>63,790</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	<b>60,871</b>	63,790
<b>Balance as per the Statement of Cash Flows</b>	<b>60,871</b>	<b>63,790</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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-2 Financial investments

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	495,000	35,000	447,000	75,000
NCD's, FRN's (with maturities > 3 months)	23,700	115,850	36,300	92,950
<b>Total</b>	<b>518,700</b>	<b>150,850</b>	<b>483,300</b>	<b>167,950</b>
<b>Total financial investments</b>	<b>518,700</b>	<b>150,850</b>	<b>483,300</b>	<b>167,950</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>579,571</b>	<b>150,850</b>	<b>547,090</b>	<b>167,950</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 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, floating rate note investments, 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>730,421</b>	715,040
Less: Externally restricted cash, cash equivalents and investments	<u>(90,845)</u>	<u>(76,350)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>639,576</b>	638,690
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>4,067</u>	3,138
<b>External restrictions – included in liabilities</b>	<b>4,067</b>	3,138
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	<u>46,739</u>	36,340
Domestic waste management	<u>40,039</u>	36,872
<b>External restrictions – other</b>	<b>86,778</b>	73,212
<b>Total external restrictions</b>	<b>90,845</b>	76,350

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

\$ '000	2023	2022
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>639,576</b>	638,690
Less: Internally restricted cash, cash equivalents and investments	<u>(235,491)</u>	<u>(348,919)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>404,085</b>	289,771
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Supported accommodation, affordable and diverse housing fund	<u>9,163</u>	9,348
Commercial property reserve	–	98,038
Employees leave entitlement	<u>6,784</u>	6,500
Green infrastructure	<u>8,230</u>	12,125
Green square reserve	<u>86,325</u>	86,325
Heritage conservation fund	<u>75,428</u>	73,955
Performance cash bonds and retentions	<u>23,362</u>	28,322
Public liability insurance	<u>404</u>	656
Renewable energy reserve	<u>3,295</u>	7,350
Workers compensation	<u>22,500</u>	26,300
<b>Total internal allocations</b>	<b>235,491</b>	348,919

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

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Internal allocations of cash, cash equivalents and investments are those assets allocated to specific purposes by a resolution of the elected Council.

#### **Policy on external restrictions and internal allocations of 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 7.12, 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.

**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.

**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).

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	7,616	–	7,414	–
Interest and extra charges relating to rates	287	–	151	–
User charges and fees	4,520	–	4,055	–
Accrued interest on investments	8,595	–	1,635	–
Net GST receivable	4,522	–	3,840	–
Rental debtors	27,366	292	23,455	1,054
Outstanding works in kind contributions	18,276	23,338	8,742	21,680
<b>Total</b>	<b>71,183</b>	<b>23,629</b>	<b>49,293</b>	<b>22,735</b>
<b>Less: provision for impairment</b>				
Rental debtors and User charges & fees	(4,355)	–	(3,660)	–
<b>Total provision for impairment – receivables</b>	<b>(4,355)</b>	<b>–</b>	<b>(3,660)</b>	<b>–</b>
<b>Total net receivables</b>	<b>66,828</b>	<b>23,629</b>	<b>45,633</b>	<b>22,735</b>
<b>Externally restricted receivables</b>				
Domestic waste management	644	–	635	–
Domestic waste management – interest & extra charges	43	–	22	–
Works receivable (developer contributions)	18,276	23,338	8,742	21,680
<b>Total external restrictions</b>	<b>18,963</b>	<b>23,338</b>	<b>9,399</b>	<b>21,680</b>
<b>Unrestricted receivables</b>	<b>47,865</b>	<b>291</b>	<b>36,234</b>	<b>1,055</b>
<b>Total net receivables</b>	<b>66,828</b>	<b>23,629</b>	<b>45,633</b>	<b>22,735</b>

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	3,660	3,460
+ new provisions recognised during the year	2,255	1,530
– amounts already provided for and written off this year	(262)	(204)
– unused amounts reversed	(1,298)	(1,126)
<b>Balance at the end of the year</b>	<b>4,355</b>	<b>3,660</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.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-4 Receivables (continued)

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#### Impairment

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

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

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-5 Inventories

<i>\$ '000</i>	<b>2023</b> <i>Current</i>	<b>2023</b> <i>Non-current</i>	<b>2022</b> <i>Current</i>	<b>2022</b> <i>Non-current</i>
<b>Inventories at cost</b>				
Stores and materials	<b>575</b>	<b>-</b>	989	-
<b>Total inventories at cost</b>	<b>575</b>	<b>-</b>	<b>989</b>	<b>-</b>
<b>Total inventories</b>	<b>575</b>	<b>-</b>	<b>989</b>	<b>-</b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Accounting policy

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

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-6 Contract assets

<i>\$ '000</i>	<b>2023</b> <i>Current</i>	<b>2023</b> <i>Non-current</i>	<b>2022</b> <i>Current</i>	<b>2022</b> <i>Non-current</i>
Accrued revenue	<b>20,146</b>	<b>–</b>	23,560	–
<b>Total contract assets</b>	<b>20,146</b>	<b>–</b>	<b>23,560</b>	<b>–</b>

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Details of non-current assets held for sale</b>					
Land	C1-8	–	–	8,476	–
Transferable Rights - Heritage Floorspace	C1-10	–	–	18,361	–
<b>Total non-current assets held for sale</b>		<b>–</b>	<b>–</b>	<b>26,837</b>	<b>–</b>
<b>Total non-current assets classified as held for sale</b>		<b>–</b>	<b>–</b>	<b>26,837</b>	<b>–</b>

#### Details of assets

At 30 June 2022, Council held property assets previously designated as 'Land - Operational' and 'Intangible Assets', being transferable Heritage Floor Space rights, as held for sale. Settlement was anticipated to occur during the 2022/23 financial year, with preferred purchasers having been determined, and the disposals endorsed by Council.

During 2022/23, the sale of Heritage Floor Space rights completed as anticipated, and one of two anticipated sales of (formerly) Operational Land was completed. The second parcel of land classified as held for sale at 30 June 2022 was due for settlement, subject to the achievement of development-related milestones. Due to unforeseen delays, these milestones have not yet been reached by the purchaser, and at 30 June 2023, completion of the sale is insufficiently certain to justify continued inclusion of the land as held for sale. The land has accordingly been transferred back to Note C1-8 *Infrastructure, Property, Plant and Equipment*, pending further progress in achieving contractual milestones.

No additional assets have been designated as held for sale at 30 June 2023.

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period								At 30 June 2023			
	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' category <sup>3</sup>	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress (WIP) <sup>4</sup>	242,217	–	242,217	60,875	65,358	–	–	(168,686)	–	–	(1,626)	–	198,138	–	198,138
Plant and equipment	119,666	(80,170)	39,496	4,973	881	(141)	(8,473)	4,514	–	–	–	–	127,588	(86,339)	41,249
Office equipment	20,850	(10,535)	10,315	1,491	–	–	(4,121)	–	1,235	–	–	–	21,281	(12,360)	8,921
Furniture and fittings	42,759	(30,139)	12,620	37	–	–	(3,436)	31	–	–	–	–	42,826	(33,575)	9,251
<b>Land:</b>															
– Operational land	1,795,307	–	1,795,307	–	12,469	(1,678)	–	7,549	52	4,770	–	292,219	2,110,688	–	2,110,688
– Community land	2,513,349	–	2,513,349	–	1,532	–	–	–	–	–	–	406,708	2,921,589	–	2,921,589
– Crown land	2,996,631	–	2,996,631	–	–	–	–	–	–	–	–	492,565	3,489,196	–	3,489,196
– Land under roads (post 30/6/08) <sup>5</sup>	107,749	–	107,749	–	478	–	–	1,241	(52)	–	–	55,831	165,247	–	165,247
Other structures – trees	138,070	–	138,070	–	–	–	–	1,111	–	–	–	10,542	149,723	–	149,723
Other structures – poles and lights	153,443	(68,044)	85,399	–	113	–	(3,542)	6,810	–	–	–	–	160,366	(71,586)	88,780
Other structures – signs	26,180	–	26,180	–	–	–	–	695	–	–	–	–	26,875	–	26,875
<b>Infrastructure:</b>															
– Buildings – non-specialised	2,170,628	(488,298)	1,682,330	–	7,692	(68)	(34,915)	35,578	–	–	–	83,907	2,318,396	(543,872)	1,774,524
– Buildings – specialised	55,698	(25,087)	30,611	–	3,924	(50)	(766)	4,381	–	–	–	2,133	67,855	(27,622)	40,233
– Roads, Bridges, Footways, Kerbs	2,138,423	(748,380)	1,390,043	–	763	(2,569)	(23,772)	56,628	411	–	–	66,996	2,291,244	(802,745)	1,488,499
– Stormwater drainage	486,637	(142,583)	344,054	–	–	–	(7,005)	15,986	–	–	–	13,418	521,252	(154,799)	366,453
– Open space/recreational assets	691,446	(404,471)	286,975	–	317	(563)	(22,409)	31,950	–	–	–	27,150	791,618	(468,197)	323,421
<b>Other assets:</b>															
– Heritage collections	9,669	–	9,669	–	64	–	–	–	–	–	–	–	9,733	–	9,733
– Library books	7,129	(5,263)	1,866	703	–	–	(872)	–	–	–	–	–	6,349	(4,652)	1,697
– City art	60,002	(11,040)	48,962	–	5,420	–	(618)	2,212	–	–	–	–	67,551	(11,574)	55,977
<b>Total infrastructure, property, plant and equipment</b>	<b>13,775,853</b>	<b>(2,014,010)</b>	<b>11,761,843</b>	<b>68,079</b>	<b>99,011</b>	<b>(5,069)</b>	<b>(109,929)</b>	<b>–</b>	<b>1,646</b>	<b>4,770</b>	<b>(1,626)</b>	<b>1,451,469</b>	<b>15,487,515</b>	<b>(2,217,321)</b>	<b>13,270,194</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: \$72.4M in capital renewal, \$54.3M in capital upgrade and \$43.6M in new infrastructure and facilities.

(3) Land held for sale at 30 June 2022 was not disposed during 2022/23 as anticipated, owing to delays in project milestones under the contract with the agreed purchaser. Ongoing uncertainty in respect of these contractual milestones has meant that the land has been transferred from Assets Held for Sale into Land - Operational at 30 June 2023. See Note C1-7.

(4) Capital Work in Progress includes \$196.5M for capital construction projects, \$0.4M for Plant & Asset purchases and \$1.2M for property acquisitions (i.e. deposit on acquisition due for completion in 2023/24 financial year).

(5) Opening balance has been restated due to the correction of a prior period error. Refer Note G4-2.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period										At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <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' 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
Capital work in progress <sup>3</sup>	230,648	–	230,648	51,787	83,646	–	–	(122,930)	–	–	(933)	–	–	242,217	–	242,217
Plant and equipment	114,973	(73,785)	41,188	6,231	398	(271)	(9,498)	1,448	–	–	–	–	–	119,666	(80,170)	39,496
Office equipment	22,472	(14,678)	7,794	2,064	–	–	(3,306)	25	3,738	–	–	–	–	20,850	(10,535)	10,315
Furniture and fittings	42,649	(26,629)	16,020	110	–	–	(3,510)	–	–	–	–	–	–	42,759	(30,139)	12,620
<b>Land:</b>																
– Operational land	1,807,539	–	1,807,539	–	–	–	–	2,087	(994)	(4,770)	–	(8,555)	–	1,795,307	–	1,795,307
– Community land	2,493,983	–	2,493,983	–	5,708	(3,601)	–	–	17,260	–	–	–	–	2,513,349	–	2,513,349
– Crown land	3,013,891	–	3,013,891	–	–	–	–	–	(17,260)	–	–	–	–	2,996,631	–	2,996,631
– Land under roads (post 30/6/08) <sup>4</sup>	106,414	–	106,414	–	340	–	–	–	994	–	–	–	–	107,749	–	107,749
Other structures – trees	120,861	–	120,861	–	65	–	–	2,141	–	–	–	15,003	–	138,070	–	138,070
Other structures – poles and lights	146,589	(64,692)	81,897	–	342	–	(3,352)	6,235	278	–	–	–	–	153,443	(68,044)	85,399
Other structures – signs	24,949	–	24,949	–	9	–	–	1,166	56	–	–	–	–	26,180	–	26,180
<b>Infrastructure:</b>																
– Buildings – non-specialised	1,979,080	(413,907)	1,565,173	79	16,196	–	(32,222)	15,309	–	–	–	–	117,794	2,170,628	(488,298)	1,682,330
– Buildings – specialised	49,345	(22,284)	27,061	–	–	–	(587)	1,445	–	–	–	–	2,691	55,698	(25,087)	30,611
– Roads	1,836,317	(545,891)	1,290,426	–	2,431	(1,093)	(21,183)	49,217	(734)	–	–	–	70,979	2,138,423	(748,380)	1,390,043
– Stormwater drainage	431,279	(129,485)	301,794	–	155	–	(4,322)	17,551	53	–	–	–	28,822	486,637	(142,583)	344,054
– Other open space/recreational assets	661,553	(383,767)	277,786	–	4,942	(125)	(21,228)	25,254	347	–	–	–	–	691,446	(404,471)	286,975
<b>Other assets:</b>																
– Heritage collections	9,598	–	9,598	–	71	–	–	–	–	–	–	–	–	9,669	–	9,669
– Library books	8,642	(6,499)	2,143	682	–	–	(959)	–	–	–	–	–	–	7,129	(5,263)	1,866
– City art	58,943	(10,502)	48,441	59	–	–	(590)	1,052	–	–	–	–	–	60,002	(11,040)	48,962
<b>Total Infrastructure, property, plant and equipment - Prior year</b>	<b>13,159,725</b>	<b>(1,692,119)</b>	<b>11,467,606</b>	<b>61,012</b>	<b>114,303</b>	<b>(5,090)</b>	<b>(100,757)</b>	<b>–</b>	<b>3,738</b>	<b>(4,770)</b>	<b>(933)</b>	<b>(8,555)</b>	<b>235,289</b>	<b>13,775,853</b>	<b>(2,014,010)</b>	<b>11,761,843</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: \$38.4M in capital renewal, \$34.1M in capital upgrade, \$51.4M in new infrastructure and facilities

(3) Capital Work in Progress includes \$241.9M for capital construction projects and \$0.3M for Plant & Asset purchases

(4) Opening balances (at 1/7/2021) and annual movement for Land Under Roads class restated for 2021/22; refer Note G4-2 Correction of Prior Year Errors

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

#### Accounting policy

Infrastructure, property, plant and equipment (IPPE) is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes). 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.

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)	32 to 151	Pipes and culverts	100
Structure (Long Life)	38 to 400	Drainage pits and junctions	100
Sub-Structure (Short Life)	38 to 127	Trunk drainage infrastructure	200
Sub-Structure (Long Life)	38 to 400	Water quality infrastructure	10 to 100
Roof (Short Life)	38 to 127		
Roof (Long Life)	38 to 400	<b>Poles and Lighting</b>	
Fit-Out (Short Life)	22 to 78	Council lighting	15 to 50
Fit-Out (Long Life)	38 to 130	Smartpoles	50
Services - Electrical (Short Life)	32 to 91		
Services - Electrical (Long Life)	38 to 195	<b>Council Signage</b>	Infinite
Services - Fire (Short Life)	15 to 25		
Services - Fire (Long Life)	40 to 52	<b>Open space and recreational assets</b>	
Services - Hydraulic (Short Life)	25 to 91	Park and open space improvements	20 to 100
Services - Hydraulic (Long Life)	38 to 195	Park equipment and structures	20
Services - Mechanical (Short Life)	12 to 60		
Services - Mechanical (Long Life)	80 to 104	<b>Trees - street and park trees</b>	Infinite
Services - Security (Short Life)	15 to 25		
Services - Lift/Transport (Short Life)	46 to 127	<b>Plant &amp; Equipment</b>	
Services - Lift/Transport (Long Life)	75 to 195	Plant & equipment	3 to 20
Services - Floor Coverings (Short Life)	10 to 44	Water recycling plant (specialised)	20 to 50
		Vehicles and road-making equipment	5 to 10
		Computer equipment	3 to 5
<b>Infrastructure - Roads</b>		Parking Meters	5 to 10
Roads - upper strata	30 to 120	Office Equipment	3 to 5
Roads - lower strata	300	Furniture and Fittings	3 to 10
Roads - sub-structure earthworks	Infinite		
Footways	40 to 150		
Kerb and gutter	100 to 200	<b>Other assets</b>	
Bridges and structures	100	Library resources	3 to 5
Traffic Facilities	40 to 50	City art	25 to 100
Street furniture/other infrastructure	20 to 50		

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

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

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Subsequent to initial recognition, IPP&E assets 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.

#### **Land under roads**

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

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

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

#### **Crown reserves 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. Maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

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.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-9 Investment properties

<b>\$ '000</b>		<b>2023</b>	<b>2022</b>
<b>Owned investment property</b>			
Investment property on hand at fair value		<b>509,643</b>	399,172
<b>Total owned investment property</b>		<b>509,643</b>	<b>399,172</b>

### Investment property movements

<b>\$ '000</b>	Notes	<b>2023</b>	<b>2022</b>
<b>At fair value</b>			
Opening balance at 1 July		<b>399,172</b>	384,259
Acquisitions		<b>110,000</b>	–
Capitalised subsequent expenditure	C1-8	<b>1,669</b>	933
Net gain/(loss) from fair value adjustments	B2-6	<b>(1,198)</b>	13,980
<b>Closing balance at 30 June</b>		<b>509,643</b>	<b>399,172</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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	55,597	43,883
Accumulated amortisation	(35,116)	(28,127)
Software work in progress (WIP) balance	15,663	18,433
<b>Net book value – opening balance</b>	<b>36,144</b>	<b>34,189</b>
<b>Movements for the year</b>		
– Development costs capitalised	14,051	15,452
– Transfer (to)/from I,P,P&E	(1,235)	(3,738)
– Amortisation charges	(10,745)	(6,990)
– Work In Progress movement - net	1,795	(2,770)
<b>Closing values at 30 June</b>		
Gross book value	68,413	55,597
Accumulated amortisation	(45,862)	(35,116)
Software work in progress (WIP) balance	17,458	15,663
<b>Total software – net book value</b>	<b>40,009</b>	<b>36,144</b>
<b>Transferable rights - heritage floor space</b>		
<b>Opening values at 1 July</b>		
Gross book value	–	18,361
<b>Net book value – opening balance</b>	<b>–</b>	<b>18,361</b>
<b>Movements for the year</b>		
– Award of heritage floor space on City-owned property	1,038	–
– Transferred (to)/from assets held for sale at 30 June	1,504	(18,361)
<b>Closing values at 30 June</b>		
Gross book value	2,542	–
<b>Total Transferable Rights - Heritage Floor Space – net book value</b>	<b>2,542</b>	<b>–</b>
<b>Total intangible assets – net book value</b>	<b>42,551</b>	<b>36,144</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 in market value.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-11 Other

#### Other assets

<i>\$ '000</i>	<b>2023</b> <i>Current</i>	<b>2023</b> <i>Non-current</i>	<b>2022</b> <i>Current</i>	<b>2022</b> <i>Non-current</i>
Prepayments	9,221	–	7,814	–
Future benefits – shared services relating to Sutherland animal shelter	14	84	14	98
<b>Total other assets</b>	<b>9,235</b>	<b>84</b>	<b>7,828</b>	<b>98</b>

#### Restricted assets

There are no restrictions applicable to the above assets.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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 15 year first extension 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 2023, including all future extension options, is estimated at \$26.5M, excluding the impact of any future CPI increases).

##### (a) Right of use assets

<i>\$ '000</i>	<i>Building</i>	<i>Total</i>
<b>2023</b>		
Opening balance at 1 July	10,961	10,961
Depreciation charge	(386)	(386)
Lease liability remeasurement	(526)	(526)
<b>Balance at 30 June</b>	<b>10,049</b>	<b>10,049</b>
<b>2022</b>		
Opening balance at 1 July	12,551	12,551
Depreciation charge	(406)	(406)
Lease liability remeasurement	(1,184)	(1,184)
<b>Balance at 30 June</b>	<b>10,961</b>	<b>10,961</b>

##### (b) Lease liabilities

<i>\$ '000</i>	<i>2023 Current</i>	<i>2023 Non-current</i>	<i>2022 Current</i>	<i>2022 Non-current</i>
Lease liabilities	300	10,672	234	11,522
<b>Total lease liabilities</b>	<b>300</b>	<b>10,672</b>	<b>234</b>	<b>11,522</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

#### (i) Maturity analysis

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

<i>\$ '000</i>	<i>&lt; 1 year</i>	<i>1 – 5 years</i>	<i>&gt; 5 years</i>	<i>Total</i>	<i>Total per Statement of Financial Position</i>
<b>2023</b>					
Cash flows	508	2,059	11,512	14,079	10,972
<b>2022</b>					
Cash flows	457	1,907	13,060	15,424	11,756

#### (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:

<i>\$ '000</i>	<i>2023</i>	<i>2022</i>
Interest on lease liabilities	213	228
Depreciation of right of use assets	386	406
Variable lease payments based on usage not included in the measurement of lease liabilities	632	441
Expenses relating to low-value leases	79	69
Expenses relating to short-term leases	48	–
	<b>1,358</b>	<b>1,144</b>

#### (d) Statement of Cash Flows

Total cash outflow for leases	472	450
	<b>472</b>	<b>450</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
- Business innovation space
- Car park
- Child care centre
- Community room
- Creative studios
- End-of-trip (bicycle) facilities
- Jetty/pontoon facilities
- Parks and open space

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

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

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

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, 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. The affected leases are subject to nominal or nil rental expense, and accordingly the associated right of use assets are measured at a nominal or nil value.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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:

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
----------------	-------------	-------------

#### **(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)	<b>20,369</b>	17,758
<b>Total income relating to operating leases for investment property assets</b>	<b>20,369</b>	17,758

#### **Operating lease expenses**

Direct operating expenses that generated rental income	<b>3,623</b>	2,455
<b>Total expenses relating to operating leases of investment property</b>	<b>3,623</b>	2,455

#### **Repairs and maintenance: investment property**

Contractual obligations for future repairs and maintenance	<b>1,438</b>	903
<b>Total repairs and maintenance: investment property</b>	<b>1,438</b>	903

#### **(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)	<b>42,148</b>	32,953
Lease income relating to variable lease payments not dependent on an index or a rate	<b>14,569</b>	11,930
<b>Total income relating to operating leases for Council assets</b>	<b>56,717</b>	44,883

#### **Other leased assets expenses**

Direct operating expenses for other properties that generated rental income	<b>27,630</b>	22,701
<b>Total expenses relating to other leases assets</b>	<b>27,630</b>	22,701



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	2023	2022
<b>(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:</b>		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	42,850	34,617
1–2 years	36,923	29,715
2–3 years	33,439	23,553
3–4 years	29,891	19,266
4–5 years	21,480	17,351
> 5 years	130,535	82,800
<b>Total undiscounted lease payments to be received</b>	<b>295,118</b>	<b>207,302</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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3 Liabilities of Council

#### C3-1 Payables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Creditors – Goods and services	17,670	–	17,915	–
Accrued employee costs	8,921	–	8,225	–
Accrued interest expense - bonds and deposits	4	–	5	–
Accrued expenditure - other	47,094	–	45,498	–
Performance cash bonds, deposits and retentions	23,363	–	28,323	–
Prepaid rates	4,225	–	3,185	–
Other	6,372	–	1,224	–
<b>Total payables</b>	<b>107,649</b>	<b>–</b>	<b>104,375</b>	<b>–</b>

#### Payables relating to restricted and allocated assets

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	2,756	–	2,331	–
Payables relating to externally restricted assets	2,756	–	2,331	–
<b>Internally allocated assets</b>				
Performance cash bonds, deposits and retentions	23,363	–	28,323	–
Payables relating to internally allocated assets	23,363	–	28,323	–
<b>Total payables relating to restricted and allocated assets</b>	<b>26,119</b>	<b>–</b>	<b>30,654</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>81,530</b>	<b>–</b>	<b>73,721</b>	<b>–</b>
<b>Total payables</b>	<b>107,649</b>	<b>–</b>	<b>104,375</b>	<b>–</b>

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

\$ '000	2023	2022
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	14,207	17,919
<b>Total payables</b>	<b>14,207</b>	<b>17,919</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. **Creditors - Goods and services** represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	529	–	1,457	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	1,312	–	1,681	–
Heritage conservation fund	(ii)	1,941	73,487	3,518	70,437
<b>Total grants and contributions received in advance:</b>		<b>3,782</b>	<b>73,487</b>	<b>6,656</b>	<b>70,437</b>
<b>User fees and charges received in advance:</b>					
Miscellaneous payments received in advance		19,911	–	23,384	–
<b>Total user fees and charges received in advance</b>		<b>19,911</b>	<b>–</b>	<b>23,384</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>23,693</b>	<b>73,487</b>	<b>30,040</b>	<b>70,437</b>

#### Notes

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 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 in line with expenditure on eligible projects.

#### Contract liabilities relating to restricted and allocated assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities	4,067	–	3,138	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>4,067</b>	<b>–</b>	<b>3,138</b>	<b>–</b>
<b>Internally allocated assets</b>				
Heritage Conservation Fund	1,941	73,487	3,518	70,437
<b>Contract liabilities relating to internally allocated assets</b>	<b>1,941</b>	<b>73,487</b>	<b>3,518</b>	<b>70,437</b>
<b>Total contract liabilities relating to restricted/allocated assets</b>	<b>6,008</b>	<b>73,487</b>	<b>6,656</b>	<b>70,437</b>
<b>Total contract liabilities relating to unrestricted/unallocated assets</b>	<b>17,685</b>	<b>–</b>	<b>23,384</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>23,693</b>	<b>73,487</b>	<b>30,040</b>	<b>70,437</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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>2023</b>	<b>2022</b>
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	1,457	898
Operating grants (received prior to performance obligation being satisfied)	1,681	2,384
Heritage conservation fund	2,520	48,170
<b>User fees and charges received in advance:</b>		
Miscellaneous payments received in advance	23,384	22,085
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>29,042</b>	<b>73,537</b>

#### Accounting policy

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

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

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-3 Borrowings

#### Financing arrangements

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Total facilities</b>		
Credit cards/purchase cards	<u>1,500</u>	<u>1,500</u>
<b>Total financing arrangements</b>	<u>1,500</u>	<u>1,500</u>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	<u>24</u>	<u>25</u>
<b>Total drawn financing arrangements</b>	<u>24</u>	<u>25</u>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	<u>1,476</u>	<u>1,475</u>
<b>Total undrawn financing arrangements</b>	<u>1,476</u>	<u>1,475</u>

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-4 Employee benefit provisions

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	13,192	–	12,506	–
Sick leave	4,696	–	2,886	1,922
Long service leave	47,690	2,352	45,559	2,220
Public holidays	379	–	328	–
<b>Total employee benefit provisions</b>	<b>65,957</b>	<b>2,352</b>	<b>61,279</b>	<b>4,142</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>65,957</b>	<b>2,352</b>	<b>61,279</b>	<b>4,142</b>
<b>Total employee benefit provisions</b>	<b>65,957</b>	<b>2,352</b>	<b>61,279</b>	<b>4,142</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	46,009	42,472
	<b>46,009</b>	<b>42,472</b>

#### Description of and movements in provisions

\$ '000	Employee benefit provisions				
	Annual leave	Sick leave	Long service leave	Public holidays	Total
<b>2023</b>					
At beginning of year	12,506	4,808	47,779	328	65,421
Additional provisions	15,539	577	8,216	52	24,384
Amounts used (payments)	(14,001)	(552)	(5,681)	–	(20,234)
Remeasurement effects	–	(137)	(272)	–	(409)
Unused amounts reversed	(852)	–	–	–	(852)
Total ELE provisions at end of year	<b>13,192</b>	<b>4,696</b>	<b>50,042</b>	<b>380</b>	<b>68,309</b>
<b>2022</b>					
At beginning of year	12,684	5,289	50,558	290	68,821
Additional provisions	14,366	538	7,974	38	22,916
Amounts used (payments)	(14,096)	(550)	(5,219)	–	(19,865)
Remeasurement effects	–	(269)	(5,534)	–	(5,803)
Unused amounts reversed	(448)	(200)	–	–	(648)
Total ELE provisions at end of year	<b>12,506</b>	<b>4,808</b>	<b>47,779</b>	<b>328</b>	<b>65,421</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-4 Employee benefit provisions (continued)

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#### **Accounting policy**

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

#### **Short-term obligations**

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

#### **Other long-term employee benefit obligations**

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

#### **On-costs**

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions

\$ '000	2023		2022	
	Current	Non-Current	Current	Non-Current
<b>Other provisions</b>				
Self insurance – workers compensation	4,500	18,000	5,400	20,900
Self insurance – public liability	366	38	107	548
Superannuation	–	1,539	–	1,817
Provision for rent waivers (Covid-19)	7,931	–	11,544	–
Other	5,854	–	2,746	–
<b>Sub-total – other provisions</b>	<b>18,651</b>	<b>19,578</b>	<b>19,798</b>	<b>23,266</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,600	–	4,000
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4,600</b>	<b>–</b>	<b>4,000</b>
<b>Total provisions</b>	<b>18,651</b>	<b>24,178</b>	<b>19,798</b>	<b>27,266</b>

### Provisions relating to restricted and allocated assets

#### Internally allocated assets

Self insurance – workers compensation	4,500	18,000	5,400	20,900
Self insurance – public liability	366	38	107	548

#### Provisions relating to internally allocated assets

	<b>4,866</b>	<b>18,038</b>	<b>5,507</b>	<b>21,448</b>
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#### Total provisions relating to restricted/allocated assets

	<b>4,866</b>	<b>18,038</b>	<b>5,507</b>	<b>21,448</b>
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#### Total provisions relating to unrestricted/unallocated assets

	<b>13,785</b>	<b>6,140</b>	<b>14,291</b>	<b>5,818</b>
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#### Total provisions

	<b>18,651</b>	<b>24,178</b>	<b>19,798</b>	<b>27,266</b>
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### Description of and movements in provisions

\$ '000	Other provisions						Total
	Asset remediation	Workers Compensation	Public liability	Superannuation	Rental Waivers	Other	
<b>2023</b>							
At beginning of year	4,000	26,300	656	1,817	11,544	2,746	47,063
Additional provisions	600	6,966	291	–	–	3,672	11,529
Amounts used (payments)	–	(5,582)	(168)	–	(3,613)	(564)	(9,927)
Remeasurement effects	–	(5,184)	–	(278)	–	–	(5,462)
Unused amounts reversed	–	–	(375)	–	–	–	(375)
Total other provisions at end of year	<b>4,600</b>	<b>22,500</b>	<b>404</b>	<b>1,539</b>	<b>7,931</b>	<b>5,854</b>	<b>42,828</b>
<b>2022</b>							
At beginning of year	4,000	17,400	646	3,737	5,576	1,146	32,505
Additional provisions	–	14,888	10	–	5,968	1,611	22,477
Amounts used (payments)	–	(5,988)	–	–	–	(11)	(5,999)
Remeasurement effects	–	–	–	(1,920)	–	–	(1,920)
Total other provisions at end of year	<b>4,000</b>	<b>26,300</b>	<b>656</b>	<b>1,817</b>	<b>11,544</b>	<b>2,746</b>	<b>47,063</b>



### C3-5 Provisions (continued)

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#### Nature and purpose of provisions

##### Public liability and Workers Compensation - self-insurance

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. 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.

##### 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.

##### Provision for Rent Waivers

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.

##### Other

Other provisions include additional rental related provisions, reflecting anticipated credit notes to be issued to tenants in a future accounting period, and minor amounts related to fee incomes and expenditure recoveries.

##### 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.

#### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions (continued)

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

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

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

*\*For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ended 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.*

The additional lump sum contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum from 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These lump sum contributions are used to 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 additional 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.

(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. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions (continued)

(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, with the disclosures herein reflecting the requirements of paragraph 148 of AASB 119.

*(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 \$1.741M.

*(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 2023 is:

<b>Defined Benefit reserves only (excluding other accumulation amounts in both assets and liabilities)</b>	<b>\$M</b>	<b>Asset Coverage</b>
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

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

Investment return	6.0% p.a.
Salary inflation (plus promotional increases)	3.5% p.a.
Increase in CPI	6.0% for FY 2022/23 2.5% p.a. thereafter

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information have been received by the Fund's Actuary, the final end of year review will be completed by December 2023.

*(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 5.07%, based on the Council's current level of annual past service contributions of \$1.014M against total contributions of \$20.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2022.

#### **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)

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 C3-5 - Provisions -

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions (continued)

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Superannuation), 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.

#### **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 interest expense.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### C4 Reserves

#### C4-1 Nature and purpose of reserves

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##### **IPPE Revaluation reserve**

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

##### **Trust assets reserves**

The Trust Assets Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts and land parcels owned by third parties) 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### D Council structure

#### D1 Financial result and financial position 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

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

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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.

<i>\$ '000</i>	<i>Carrying value 2023</i>	<i>Carrying value 2022</i>	<i>Fair value 2023</i>	<i>Fair value 2022</i>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	60,871	63,790	60,871	63,790
Receivables <sup>1</sup>	90,457	64,528	90,457	64,528
Investments				
– Debt securities at amortised cost	669,550	651,250	669,554	650,791
Contract assets	20,146	23,560	20,146	23,560
<b>Total financial assets</b>	<b>841,024</b>	<b>803,128</b>	<b>841,028</b>	<b>802,669</b>
<b>Financial liabilities</b>				
Payables	107,649	101,190	107,197	101,190
Lease liabilities	10,972	11,756	10,972	11,756
<b>Total financial liabilities</b>	<b>118,621</b>	<b>112,946</b>	<b>118,169</b>	<b>112,946</b>

Fair value is determined as follows:

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

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(1) Excludes GST receivable

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

\$ '000	2023	2022
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	7,271	7,140
Impact of a 10% movement in price of investments		
– Equity / Income Statement <sup>1</sup>	–	–

(1) 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.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	–	7,518	98	7,616
2022				
Gross carrying amount	–	7,321	93	7,414

##### 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 2022, consideration was given to the ongoing impact of the Covid-19 pandemic on default rates.

The loss allowance provision as at 30 June 2022 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	92,252	3,802	100	517	10,671	107,342
Expected loss rate (%)	0.00%	1.44%	2.62%	21.83%	39.21%	4.06%
ECL provision	–	55	3	113	4,184	4,355
2022						
Gross carrying amount	73,827	3,731	343	748	5,685	84,334
Expected loss rate (%)	0.00%	2.98%	9.91%	36.98%	56.95%	4.34%
ECL provision	–	111	34	277	3,238	3,660

#### (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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>payable in:</i>			<i>Total cash outflows</i>	<i>Actual carrying values</i>
			<i>≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>&gt; 5 Years</i>		
<b>2023</b>							
Payables	0.00%	23,363	83,834	-	-	107,197	107,649
<b>Total financial liabilities</b>		<b>23,363</b>	<b>83,834</b>	<b>-</b>	<b>-</b>	<b>107,197</b>	<b>107,649</b>
<b>2022</b>							
Payables	0.00%	28,323	72,867	-	-	101,190	101,190
<b>Total financial liabilities</b>		<b>28,323</b>	<b>72,867</b>	<b>-</b>	<b>-</b>	<b>101,190</b>	<b>101,190</b>

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

For the comparative period shown, Council measured the following assets at fair value on a non-recurring basis:

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

Those assets classified as held for sale represent property and transferable rights 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 on a basis consistent with those classes.

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>							
<b>Investment property</b> C1-9							
Investment property portfolio		509,643	399,172	–	–	509,643	399,172
<b>Total investment property</b>		<b>509,643</b>	<b>399,172</b>	<b>–</b>	<b>–</b>	<b>509,643</b>	<b>399,172</b>
<b>Infrastructure, property, plant and equipment (I,P,P&amp;E)</b> C1-8							
Plant and equipment		–	–	41,166	39,496	41,166	39,496
Office equipment		–	–	8,921	10,315	8,921	10,315
Furniture and fittings		–	–	9,252	12,620	9,252	12,620
Operational land		2,025,357	1,730,596	85,332	64,711	2,110,689	1,795,307
Community land		–	–	2,921,589	2,513,350	2,921,589	2,513,350
Crown and third party owned land		–	–	3,489,196	2,996,631	3,489,196	2,996,631
Land under roads (post 30/6/2008)		–	–	158,262	107,749	158,262	107,749
Open space		–	–	323,421	286,975	323,421	286,975
Buildings – non specialised		592,370	588,088	1,182,154	1,094,242	1,774,524	1,682,330
Buildings – specialised		–	294	40,233	30,318	40,233	30,612
Other structures – poles & lights		–	–	88,780	85,399	88,780	85,399
Other structures – signs		–	–	26,875	26,180	26,875	26,180
Other structures – trees		–	–	149,723	138,070	149,723	138,070
Roads, bridges, footpaths, kerbs		–	–	1,488,499	1,390,043	1,488,499	1,390,043
Stormwater drainage		–	–	366,453	344,054	366,453	344,054
Heritage collections		–	–	9,734	9,669	9,734	9,669
Library books		–	–	1,697	1,866	1,697	1,866
City art		–	–	55,977	48,961	55,977	48,961
<b>Total I,P,P&amp;E</b>		<b>2,617,727</b>	<b>2,318,978</b>	<b>10,447,264</b>	<b>9,200,649</b>	<b>13,064,991</b>	<b>11,519,627</b>
<b>Non-recurring fair value measurements</b>							
<b>Non-current assets classified as held for sale</b> C1-7							
Land		–	8,476	–	–	–	8,476
Intangible assets - transferable rights		–	18,361	–	–	–	18,361
<b>Total NCA's classified as held for sale</b>		<b>–</b>	<b>26,837</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,837</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### Transfers between level 1 and level 2 fair value hierarchies

No transfers occurred between level 1 and level 2 fair value hierarchies during the year.

#### 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. 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.

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

Comprehensive valuations of all building assets were undertaken by an external, qualified valuer (APV Valuers and Asset Management in 2020/21). 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. 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. Since the previous comprehensive revaluation, interim valuation adjustments (approximately 12.9% cumulatively) have been made to reflect indicative movements in market value and replacement cost.

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### **Operational Land**

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (APV) in 2020/21. 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. Assets in this class were subject to an interim valuation adjustment of approximately 16.6% at 30 June 2023, reflecting indicative movements in NSW Valuer General valuations within the Local Government Area since the previous comprehensive revaluation of Operational Land.

#### **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) in 2020/21. 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. Assets in this class were subject to an interim valuation adjustment of approximately 16.2% at 30 June 2023, reflecting indicative movements in NSW Valuer General valuations within the Local Government Area since the previous comprehensive revaluation of Community Land.

#### **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) in 2020/21, 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). Assets in this class were subject to an interim valuation adjustment of approximately 16.4% at 30 June 2023, reflecting indicative movements in NSW Valuer General valuations within the Local Government Area since the previous comprehensive revaluation of Crown and Third Party owned Land.

#### **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). This asset class was subject to a comprehensive revaluation during 2022/23, incorporating a review and update of the englobo valuation rate, and a reconciliation of land asset records to ensure completeness of data.

### E2-1 Fair value measurement (continued)

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

Fair value of these asset classes is determined on the current replacement cost (CRC) approach, being the amount that would be required to replace the current service capacity of an asset. CRC is determined with reference to current third party asset works contracts and the assessed remaining service potential of the assets. Signs and Poles & Lights were revalued in 2019/20, using updated unit rates, and available condition assessment data. The remaining infrastructure asset classes were revalued in 2021/22. Key data inputs informing valuation calculations – asset quantities, materials and conditions – were compiled by Council staff utilising external consultant reports where available. Assets in these class were subject to an interim valuation adjustment of approximately 4.8% (roads, bridges, footpaths infrastructure) and 3.9% (stormwater drainage infrastructure) at 30 June 2023, reflecting uplift in applicable contract rates utilised in asset valuations. The Signs and Poles & Lights asset classes were not subject to an interim valuation adjustment, pending the outcome of ongoing asset and condition data collection.

#### **Open Space & Recreational Assets**

Fair value of these asset classes is determined on the current 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 comprehensively revalued on this basis at 30 June 2021, with assets values subsequently indexed by approximately 10.15% in 2022/23, reflecting uplift in applicable contract rates subsequent to the previous comprehensive revaluation of these assets.

#### **Trees**

Fair value of these asset classes is determined on the current 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. The Trees asset class was comprehensively revalued on this basis at 30 June 2022, with assets values subsequently indexed by approximately 7.6% in 2022/23, reflecting uplift in applicable contract rates.

#### **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 comprehensively revalued at 30 June 2021.

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

The assets classified as 'held for sale' at 30 June 2022 comprised only Operational Land and Intangible (transferable rights) assets, 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 those rights being awarded (i.e. at the time of recognition). No assets were classified as 'held for sale' at 30 June 2023.

### 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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### **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'.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### E3-1 Contingencies

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#### **ASSETS/LIABILITIES NOT RECOGNISED**

##### **1. Potential benefits to Council/Potential claims from contractual disputes**

At balance date, proceedings have commenced in relation to an amount of compensation offered under a compulsory acquisition, as proposed by a NSW Government agency. The matter is to progress to a conciliation conference in 2023/24 financial year.

A small number of contract disputes are currently underway between Council and external parties in relation to service contracts and venue hire. Council is pursuing its rights in respect of recovery of expenditure incurred. Collectively, these matters involve potential recoveries of approximately \$1.2M. Formal legal proceedings have not commenced in any instance, and Council is reviewing its contractual rights at balance date.

##### **2. 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 2023, bank guarantees of \$17.4M were held by the SIRA. A further top-up guarantee of \$9.0M was provided to the SIRA in July 2023. Typically, the Authority annually reviews and advises whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$600,000 for those received prior to 31 March 2022 and above \$1,000,000 for those received after that date, are covered by external companies. Note that a new insurance cover was contracted from 1 April 2022. The higher excess is reflective of recent market changes.

##### **3. Infringement Notices/Fines**

Fines & Penalty Income, resulting from 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.

##### **4. Proposed Land Transfers between NSW Government Authorities and Council**

Council has previously agreed to proceed with a transfer of public assets from NSW State Government Agencies. Certain parcels of land have transferred to Council by agreement with the relevant NSW State Government agencies in recent financial years, reflected as non-cash contributions income as applicable. The completion of the remaining transfers of assets 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.

##### **5. 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 C3-5.

##### **6. Developer Contributions Plans and Planning Agreements**

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### E3-1 Contingencies (continued)

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Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 7.11, 7.12 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.

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.

#### 7. 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 2022/23 financial year, additional HFS awarded in respect of Council-owned property has been registered, as reflected in *Note B2-3 - Other Revenue* and *Note C1-10 - Intangible Assets*. Further awards on Council-owned properties are possible in future periods, subject to the assessment of any applications submitted.

At the time of recognition, valuation of any HFS awarded to Council relies upon on available market evidence of recent sales by holders of HFS to developers.

#### 8. 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, or a monetary payment made to Council for the equivalent value. Once received, these funds are held as restricted assets, pending subsequent re-allocation to heritage works projects within the LGA.

At balance date, performance bonds were held by Council for three development sites (totalling \$18.7M). 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. Where the required HFS is 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 eighteen developments where HFS was not secured within the requisite timeframe (\$79.2M received to date). 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 utilize the Heritage Conservation Fund in the delivery of heritage renewal projects within Central Sydney. \$2.5M of eligible project expenditure was identified in 2022/23 financial year, resulting in a Heritage Conservation Fund balance of \$75.4M as at 30 June 2023. A further \$1.9M of eligible restoration project expenditure is budgeted in 2023/24, with additional projects identified over the life of Council's Long Term Financial Plan that will utilise the balance of the Heritage Conservation Fund over the next 10 years.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### 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:

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Compensation:</b>		
Short-term benefits	<b>3,310</b>	3,536
Post-employment benefits	<b>447</b>	411
<b>Total</b>	<b>3,757</b>	<b>3,947</b>

The compensation amounts above relate to non-Councillor Key Management Personnel. Annual expenses related to Lord Mayoral and Councillor fees are shown at Note F1-2 below.

#### 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

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillor expenses – Mayoral fee	<b>232</b>	227
Councillors' fees	<b>425</b>	402
Other Councillors' expenses (including Mayor)	<b>227</b>	168
<b>Total</b>	<b>884</b>	<b>797</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### F2 Other relationships

#### F2-1 Audit fees

<u>\$ '000</u>	<u>2023</u>	<u>2022</u>
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms.

#### **Auditors of the Council - NSW Auditor-General:**

Audit and review of financial statements	<u>308</u>	<u>236</u>
<b>Remuneration for audit and other assurance services</b>	<b>308</b>	<b>236</b>
<b>Total Auditor-General remuneration</b>	<b>308</b>	<b>236</b>
<b>Total audit fees</b>	<b>308</b>	<b>236</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G Other matters

#### G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>183,199</b>	64,867
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	121,060	108,153
(Gain) / loss on disposal of assets	(3,134)	(11,029)
Non-cash capital grants and contributions	(36,027)	(8,419)
Acquisition of heritage floor space rights (via award)	(1,038)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(267)	–
– Investment property	1,198	(13,980)
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2022)	–	3
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(22,784)	13,167
Increase / (decrease) in provision for impairment of receivables	695	200
(Increase) / decrease of inventories	3	–
(Increase) / decrease of other current assets	(1,230)	(817)
(Increase) / decrease of contract asset	3,414	(2,764)
Increase / (decrease) in payables	9,505	(9,466)
Increase / (decrease) in other accrued expenses payable	1,923	2,167
Increase / (decrease) in other liabilities	(3,567)	(590)
Increase / (decrease) in contract liabilities	(3,297)	26,940
Increase / (decrease) in employee benefit provision	2,888	(3,400)
Increase / (decrease) in other provisions	(4,235)	14,559
<b>Net cash flows from operating activities</b>	<b>248,306</b>	<b>179,591</b>

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

Developer contributions ‘in kind’	33,043	2,552
Award of heritage floor space	1,038	–
Other dedications and non-cash contributions	2,984	5,867
<b>Total non-cash investing and financing activities</b>	<b>37,065</b>	<b>8,419</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G2-1 Commitments

#### Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Buildings	39,923	35,398
Infrastructure – Roads, Bridges, Footways, Kerb and Gutter	28,671	38,179
Open Space	25,462	8,569
Plant and equipment	8,516	3,176
Public Art	2,154	2,683
Stormwater Drainage	8,703	9,485
Other	1,797	2,613
<b>Total commitments</b>	<b>115,226</b>	<b>100,103</b>

#### These expenditures are payable as follows:

Within the next year	90,649	75,265
Later than one year and not later than 5 years	24,446	24,134
Later than 5 years	131	704
<b>Total payable</b>	<b>115,226</b>	<b>100,103</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	115,226	100,103
<b>Total sources of funding</b>	<b>115,226</b>	<b>100,103</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

Council of the City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2023

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.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4 Changes from prior year statements

#### G4-2 Correction of errors

##### Nature of prior period error

Details of errors	Impact of correction of errors (\$'000)
<b>Land Under Roads (post 30/6/2008) - en globo rate (prior to 1/7/2021)</b>	
In reviewing previous revaluation workpapers (for the 2017/18 financial year), an error was discovered in the calculation of the 'englobo' rate used for valuations. The error in calculation resulted in the overstatement of land under roads as revalued at 30/6/2018, and the subsequent overstatement of land under roads acquired between 1/7/2018 and 30/6/2021 and recognised at a value reflecting the englobo rate.	(23,648)
<b>Land Under Roads (post 30/6/2008) - newly identified assets (prior to 1/7/2021)</b>	
A reconciliation of land records undertaken as part of the revaluation exercise also identified a number of land parcels that had been acquired by the City (through dedication/transfer) between 1 July 2008 and 30 June 2021. Of the \$20.4M impact, \$18.1M related to parcels of land that had reverted to Council's control as road authority due to the lapse of a specific clause of the Roads Act (1993).	20,389
<b>Land Under Roads (post 30/6/2008) - en globo rate (2021/22 comparative year)</b>	
The error in calculating the 'englobo' rate applicable to land under roads valuations also had impacts upon the valuation of land acquired by Council (\$0.1M) and land transferred from the Operational Land asset class (\$8.5M) during 2021/22 financial year.	(8,638)

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date. Comparatives (for 2021/22) have also been restated, where applicable, to reflect the correction of errors.

The impact on each line item of the Financial Statements is shown in the tables below.



# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4-2 Correction of errors (continued)

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

##### Statement of Financial Position

<i>\$ '000</i>	<i>Original Balance 1 July, 2021</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2021</i>
<b>Infrastructure, property, plant and equipment</b>	11,470,866	(3,259)	11,467,607
- Land Under Roads (post 30/6/2008)	109,674	(3,259)	106,415
<b>Total assets</b>	<b>12,725,478</b>	<b>(3,259)</b>	<b>12,722,219</b>
<b>Total liabilities</b>	<b>292,073</b>	<b>-</b>	<b>292,073</b>
<b>Net assets</b>	<b>12,433,405</b>	<b>(3,259)</b>	<b>12,430,146</b>
Accumulated Surplus	4,192,250	2,348	4,194,598
IPPE Revaluation Reserves	5,227,265	(5,607)	5,221,658
<b>Total equity</b>	<b>12,433,405</b>	<b>(3,259)</b>	<b>12,430,146</b>

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

##### Statement of Financial Position

<i>\$ '000</i>	<i>Original Balance 30 June, 2022</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2022</i>
<b>Infrastructure, property, plant and equipment</b>	11,773,741	(11,897)	11,761,844
- Land Under Roads (post 30/6/2008)	119,646	(11,897)	107,749
<b>Total non-current assets</b>	<b>12,410,800</b>	<b>(11,897)</b>	<b>12,398,903</b>
<b>Total assets</b>	<b>13,062,738</b>	<b>(11,897)</b>	<b>13,050,841</b>
<b>Total liabilities</b>	<b>329,093</b>	<b>-</b>	<b>329,093</b>
<b>Net assets</b>	<b>12,733,645</b>	<b>(11,897)</b>	<b>12,721,748</b>
Accumulated Surplus	4,257,500	2,265	4,259,765
IPPE Revaluation Reserves	5,479,514	(14,162)	5,465,352
<b>Total equity</b>	<b>12,733,645</b>	<b>(11,897)</b>	<b>12,721,748</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4-2 Correction of errors (continued)

#### Income Statement

<i>\$ '000</i>	<i>Original Balance 30 June, 2022</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2022</i>
<b>Income from continuing operations</b>			
Grants and contributions provided for capital purposes	68,983	(83)	68,900
<b>Total income from continuing operations</b>	<b>676,501</b>	<b>(83)</b>	<b>676,418</b>
<b>Total expenses from continuing operations</b>	<b>611,551</b>	<b>–</b>	<b>611,551</b>
<b>Net operating result for the year</b>	<b>64,950</b>	<b>(83)</b>	<b>64,867</b>

#### Statement of Comprehensive Income

<i>\$ '000</i>	<i>Original Balance 30 June, 2022</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2022</i>
<b>Net operating result for the year</b>	<b>64,950</b>	<b>(83)</b>	<b>64,867</b>
Gain (loss) on revaluation of infrastructure, property, plant and equipment	235,289	(8,555)	226,734
<b>Other comprehensive income</b>	<b>226,734</b>	<b>(8,555)</b>	<b>226,734</b>
<b>Total comprehensive income for the year</b>	<b>291,684</b>	<b>(8,638)</b>	<b>291,601</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4-3 Changes in accounting estimates

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

##### Updates to Asset Useful Lives

A comprehensive revaluation of infrastructure assets at 30 June 2022 incorporated a review of asset condition and useful lives. Effective 1 July 2022, useful lives of small number of assets were updated in consultation with Council's asset managers. This involved an increase to useful lives for Traffic Facilities (e.g. roundabouts, traffic islands) and permanent survey markers, reflected in reduced depreciation rates applied to certain assets. The estimated decrease in 2022/23 depreciation expense for the Infrastructure (Roads, Bridges, Footways, Kerbs) asset class resulting from the changes is shown below, (amounts in \$ '000):

Infrastructure - Roads, Bridges, Footways, Kerbs	(1,479)
--	---------

The updates to useful lives were applied prospectively, with effect from 1 July 2022, and will have a continuing impact upon depreciation expense until any subsequent review/update of useful lives is undertaken.

##### Employee Benefit Provisions

Council updated its calculation methodology in respect of Employee benefit provisions. The updated methodology is more robust in reflecting past leave utilisation trends, anticipated manner and timing of leave utilisation, and inclusions in forward projections such as impacts of superannuation on leave and future salary increases.

The impact of the updated methodology on respective employee benefit provision calculations for 2022/23 is summarised below, shown as increase/(decreases) to liability balances (amounts in \$ '000):

Annual leave liability	(111)
Sick leave liability	992
Long service leave liability	360
Public holidays liability	1
<b>Net impact on employee benefit provisions</b>	<b>1,242</b>

As summarised above, the impact of the change in estimates was not considered sufficiently material to restate the comparative period; accordingly, changes were applied prospectively. The closing provision balances at 30 June 2023 reflect the updated calculation methodology, and Council's future annual financial statements will likewise reflect the this approach.

In addition, the classification of liabilities for vested sick leave was reconsidered against AASB 101 - Presentation of Financial Statements, and it was determined that although the liabilities are not expected to entirely settle within 12 months of balance date, did Council did not hold a right to defer settlement of these liabilities. Accordingly, the provision for sick leave has been reclassified in full to current liabilities at 30 June 2023. The impact on the comparative period (\$1.9M classified as non-current liabilities) was not considered material and has not been adjusted.

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G5 Statement of developer contributions

#### G5-1 Summary of developer contributions

\$ '000	at 30/06/2022			as at 30/06/2023				
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure/asset received during year	Internal Borrowing to/(from)	Held as restricted asset <sup>5</sup>	Cumulative internal borrowings (owed)/repayable
Community facilities	32	3,119	-	-	-	(3,119)	32	19,386
Open space	221	14,201	-	-	(19,704)	5,502	221	(31,185)
Stormwater drainage	2	2,383	-	-	-	(2,383)	2	22,077
Traffic and transport	52	6,102	105	-	(6,102)	-	157	(10,279)
<b>Total section 7.11 revenue under plans<sup>1</sup></b>	<b>307</b>	<b>25,806</b>	<b>105</b>	<b>-</b>	<b>(25,806)</b>	<b>-</b>	<b>413</b>	<b>-</b>
Section 7.4 planning agreements - public benefits <sup>2</sup>	65,386	16,635	32,938	1,514	(28,534)	-	87,940	
Section 7.12 contributions <sup>3</sup>	-	24,484	-	-	(24,484)	-	-	
Section 61 contributions <sup>4</sup>	-	24,073	-	-	(24,073)	-	-	
<b>Total contributions</b>	<b>65,693</b>	<b>90,999</b>	<b>33,044</b>	<b>1,514</b>	<b>(102,897)</b>	<b>-</b>	<b>88,353</b>	<b>-</b>
<i>Comprising:</i>								
<b>Cash contribution movement</b>	<b>36,340</b>	<b>90,999</b>		<b>1,514</b>	<b>(82,114)</b>	<b>-</b>	<b>46,739</b>	<b>-</b>
Section 7.11	-	25,806		-	(25,806)	-	-	-
Section 7.4	36,340	16,635		1,514	(7,750)	-	46,739	
Section 7.12	-	24,484		-	(24,484)	-	-	
Section 61	-	24,073		-	(24,073)	-	-	
<b>Contribution receivable movement</b>	<b>29,353</b>	<b>-</b>	<b>33,044</b>		<b>(20,784)</b>	<b>-</b>	<b>41,614</b>	
Section 7.11	307	-	105		-	-	413	
Section 7.4	29,046	-	32,938		(20,784)	-	41,201	
<b>Total contributions</b>	<b>65,693</b>	<b>90,999</b>	<b>33,044</b>	<b>1,514</b>	<b>(102,897)</b>	<b>-</b>	<b>88,353</b>	<b>-</b>

<sup>1</sup> Section 7.11 of the *Environmental Planning and Assessment Act 1979*. City of Sydney operates one section 7.11 contributions plan (the City of Sydney Development Contributions Plan 2015). Under this plan, 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 7.12 of the *Environmental Planning and Assessment Act 1979*.

<sup>4</sup> Section 61 of the *City of Sydney Act 1988*.

<sup>5</sup> Restricted assets comprise unspent cash contributions and works-in-kind/cash contributions receivable that have been secured by bank guarantee/security deposit

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G5 Statement of developer contributions

#### G5–2 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 detail the 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

\$ '000	2023	2022
<b>Monetary contributions expended during year – by purpose</b>		
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	3,789	18,000
Business innovation ppace - fitout works	1,700	300
New greenway and public park works, Rosebery	100	380
Public Domain Enhancement in Bridge/Loftus St	1,800	-
Rosebery area works	361	-
Macquarie Place upgrade	-	130
City East PCTC works	-	256
Ultimo area LATM (Local Area Traffic Management) works	-	865
<b>Total expenditure - VPA monetary contributions</b>	<b>7,750</b>	<b>19,931</b>

#### Summary of Unspent VPA monetary contributions

\$ '000	2023	2022
<b>Unspent Monetary Contributions (held as restricted cash) – by purpose (as described in the VPA):</b>		
Business innovation space (George St) - fitout works and future operating costs	13,135	8,620
City North public domain masterplan (including public domain in Bridge/Loftus St vicinity)	14,838	6,469
Chippendale community facility(s)	4,035	3,904
New greenway and public park works - Rosebery	2,192	3,921
CBD Laneways (Dalley & Underwood) and surrounding public domain	3,292	3,185
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	1,614	2,493
Public domain works - Sydney University to Redfern Station	2,799	2,708
Macquarie Place upgrade	1,401	1,356
Harbour Walk public art program	1,259	1,218
New roads infrastructure in the Ashmore precinct, Erskineville	1,229	1,190
Stormwater works - Rushcutters Bay catchment	508	492
Community infrastructure	267	258
Broadway Gateways	170	164
Rosebery area works	-	361
	<b>46,739</b>	<b>36,340</b>

# Council of the City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2023

### G6 Statement of performance measures

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

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022      2021		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>33,613</b>	<b>4.78%</b>	(4.84)%	(1.25)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>703,369</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>680,038</b>	<b>79.83%</b>	86.47%	78.58%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>851,900</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	<b>637,827</b>	<b>4.27x</b>	4.17x	3.95x	> 1.50x
Current liabilities less specific purpose liabilities <sup>4</sup>	<b>149,211</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation	<b>154,886</b>	<b>328.85x</b>	177.84x	258.47x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>471</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>7,903</b>	<b>2.00%</b>	1.96%	2.16%	< 5.00%
Rates and annual charges collectable	<b>394,760</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>590,871</b>	<b>12.04</b>	12.48	10.83	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>49,068</b>	<b>months</b>	months	months	months

**Supplementary ratios for Operating Performance (adjusted for non-recurrent income and expense items) and Current Ratio (adjusted for external restrictions and internal allocations) are included at Note H1-1.**

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

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

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

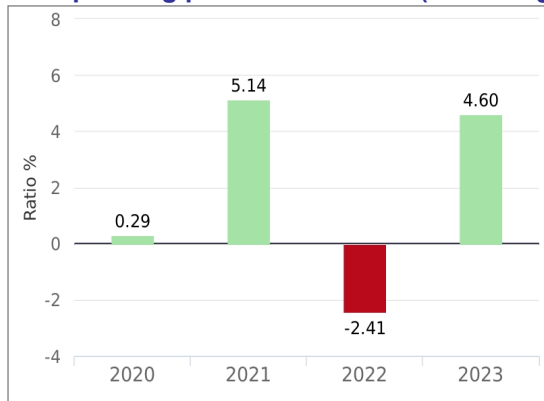
(4) Refer to Notes C2-1 and C3-1 to C3-5.

**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)

1a. Operating performance ratio (excluding non-recurrent income and expense items)



**Purpose of 1a. operating performance ratio (excluding non-recurrent income**

This ratio measures Council's achievement of containing operating expenditure within operating revenue, adjusted for material non-recurrent items of income and expenditure in order to reflect underlying operating performance.

**Commentary on 2022/23 result**

**2022/23 ratio 4.60%**

Ratio result comfortably exceeded benchmark levels. The alternative ratio result only marginally differs from the default Operating Performance ratio for 2022/23 (see 1a), with income adjustments a one-off contractual sign-on fee substantially offset by adjustments related to one-off expenses arising from capital construction projects. Above-benchmark performance reflects an improved operating result in 2022/23, driven by the post-Covid recovery of a number of income streams, and operational expenditure savings.

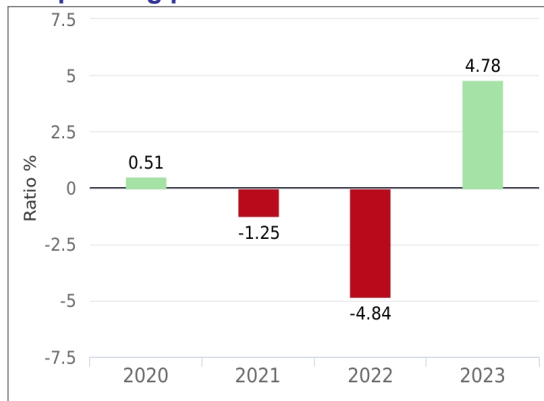
Benchmark: — > 0.00%

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

1. Operating performance ratio



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue, calculated in accordance with OLG Code of Accounting Practice and Financial Reporting guidance.

**Commentary on 2022/23 result**

**2022/23 ratio 4.78%**

Ratio result comfortably exceeded benchmark levels. Ratio results for the comparative years reflect the impact of the Covid-19 pandemic upon Council's income and expenditure. As noted in ratio 1 above, above-benchmark performance reflects an improved operating result in 2022/23, driven by the post-Covid recovery of a number of income streams, and operational expenditure savings.

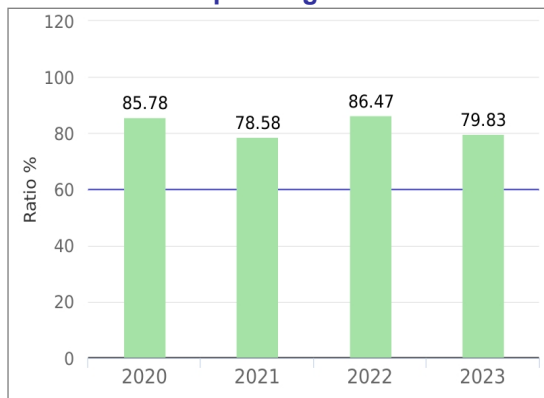
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2022/23 result**

**2022/23 ratio 79.83%**

Results reflect a continued high level of own source revenue and perform well above the benchmark. Underlying operating revenues remain largely consistent with (or higher) . However, an increase in capital income received via developer contributions for 2022-23 meant that 'Own Source' revenue decreased as a proportion of Continuing Operating Revenue, compared with the prior year.

Benchmark: — > 60.00%

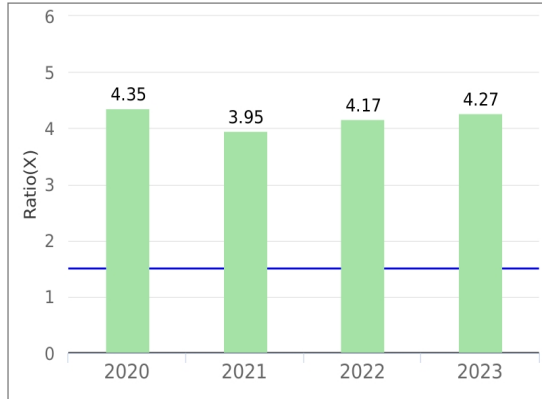
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 4.27x

Council significantly exceeds the ratio benchmark, indicating that short term financial obligations can be met comfortably as they fall due, after excluding externally restricted assets.

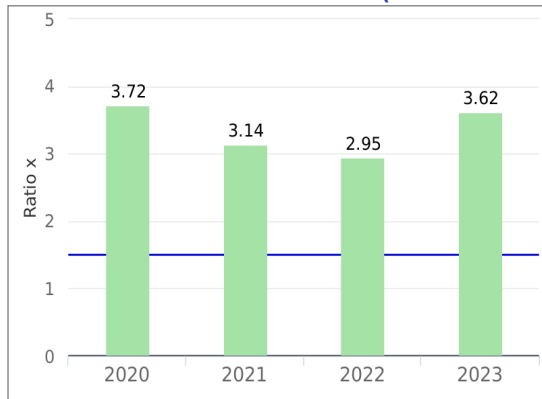
Benchmark: — > 1.50x

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)



Purpose of 3a. unrestricted current ratio (less internal and external restrictions)

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council, taking into consideration amounts restricted internally by Council.

Commentary on 2022/23 result

2022/23 ratio 3.62x

Incorporating an additional layer of restrictions as endorsed by Council the ratio result indicates that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external and internal restrictions are excluded. Performance trends substantially reflect ratio 3 above.

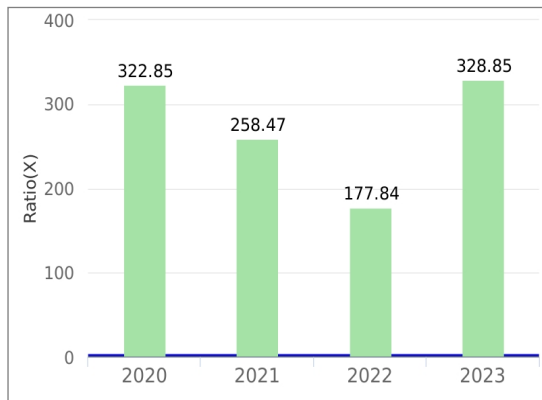
Benchmark: — > 1.50x

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 328.85x

Council has remained debt-free for more than 20 years. The ratio result since 2019/20 reflects the implicit interest recognised in relation to a property lease, recognised in accordance with accounting standard AASB 16. The substantially above-benchmark result reflects the immaterial scale of this notional interest expense.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

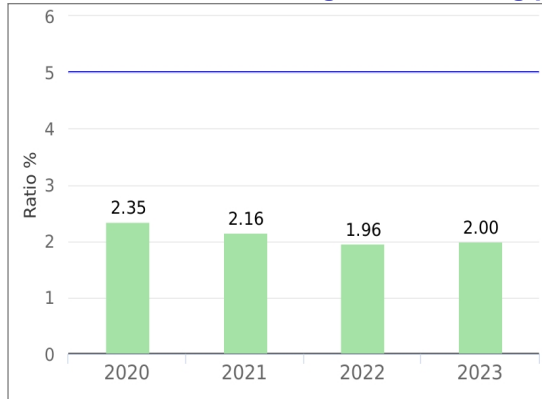
Ratio achieves benchmark

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 2022/23 result

2022/23 ratio 2.00%

The ratio remains well below the maximum OLG benchmark of 5% for metropolitan councils. Despite the financial pressures associated with the Covid-19 pandemic affecting the capacity of some ratepayers to meet instalment payments, Council has maintained outstanding rates and annual charges balances at a level favourable to benchmark.

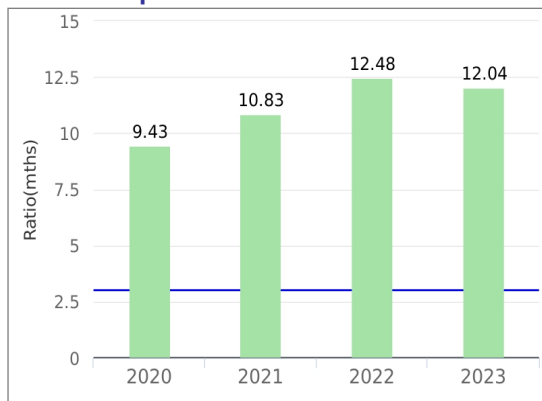
Benchmark: — < 5.00%

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 2022/23 result

2022/23 ratio 12.04 months

Council has substantially continued its conservative approach to managing investment maturities and financial risk, as adopted during the Covid-19 pandemic. The trend towards shorter term investments, and limited Floating Rate Note (FRN) investments being offered to the market has resulted in a greater proportion of Council's investments being held in term deposits. Greater term deposit holdings (relative to FRNs) improve this ratio result. Investment holdings largely stabilised in 2022/23 as reflected in the ratio.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Council of the City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports

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**Independent Auditor's Report**

To be included at conclusion of audit.

Council of the City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports

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**Report on the Conduct of the Audit**

To be included at conclusion of audit.



# **DRAFT** Special Purpose Financial Statements

Annual Report  
2022/23

The City of Sydney acknowledges the Gadigal of the Eora Nation as the Traditional Custodians of our local area.

# Council of the City of Sydney

## Special Purpose Financial Statements

for the year ended 30 June 2023

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<b>Note – Significant Accounting Policies</b>	<b>6</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>9</b>

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### Background

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

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

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

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 2023

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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 23 October 2023.**

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Clover Moore

**Lord Mayor**

dd MMMM yyyy

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Robert Kok

**Councillor**

dd MMMM yyyy

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Monica Barone

**Chief Executive Officer**

dd MMMM yyyy

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Bill Carter

**Responsible Accounting Officer**

dd MMMM yyyy

# Council of the City of Sydney

## Income Statement of Parking Stations

for the year ended 30 June 2023

<b>\$ '000</b>	<b>2023</b> <b>Category 1</b>	<b>2022</b> <b>Category 1</b>
<b>Income from continuing operations</b>		
User charges	10,137	7,274
Other income	18	14
<b>Total income from continuing operations</b>	<b>10,155</b>	<b>7,288</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	194	174
Materials and services	1,931	1,594
Depreciation, amortisation and impairment	1,132	1,066
Calculated taxation equivalents	130	122
Other expenses	1,278	1,465
<b>Total expenses from continuing operations</b>	<b>4,665</b>	<b>4,421</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>5,490</b>	<b>2,867</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>5,490</b>	<b>2,867</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>5,490</b>	<b>2,867</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,373)	(717)
<b>Surplus (deficit) after tax</b>	<b>4,117</b>	<b>2,150</b>
<b>Plus accumulated surplus</b>	<b>102,454</b>	<b>99,465</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	130	122
– Corporate taxation equivalent	1,373	717
<b>Closing accumulated surplus</b>	<b>108,074</b>	<b>102,454</b>
<b>Return on capital %</b>	<b>5.0%</b>	<b>2.8%</b>

# Council of the City of Sydney

## Statement of Financial Position of Parking Stations

as at 30 June 2023

<b>\$ '000</b>	<b>2023 Category 1</b>	<b>2022 Category 1</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	137	156
<b>Total current assets</b>	<b>137</b>	<b>156</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	108,887	101,323
Inter-Entity Debtor	100,240	93,273
<b>Total non-current assets</b>	<b>209,127</b>	<b>194,596</b>
<b>Total assets</b>	<b>209,264</b>	<b>194,752</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	744	553
Employee benefit provisions	65	57
<b>Total current liabilities</b>	<b>809</b>	<b>610</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	19	24
<b>Total non-current liabilities</b>	<b>19</b>	<b>24</b>
<b>Total liabilities</b>	<b>828</b>	<b>634</b>
<b>Net assets</b>	<b>208,436</b>	<b>194,118</b>
<b>EQUITY</b>		
Accumulated surplus	108,074	102,454
Revaluation reserves	100,362	91,664
<b>Total equity</b>	<b>208,436</b>	<b>194,118</b>



# Council of the City of Sydney

## Significant Accounting Policies

for the year ended 30 June 2023

### Note – Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

#### Declared business activities

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

##### Category 1 - 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 – **25%** (21/22 25%)

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

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

# Council of the City of Sydney

## Significant Accounting Policies

for the year ended 30 June 2023

### Note – Significant Accounting Policies (continued)

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#### **Income tax**

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (2021/22 25%)

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

#### **Local government rates and charges**

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

#### **Loan and debt guarantee fees**

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

#### **(i) Subsidies**

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### **(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**

Council of the City of Sydney

Special Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports

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**Independent Auditor's Report**

To be included at conclusion of audit.



**DRAFT**  
Special  
Schedules

Annual Report  
2022/23

The City of Sydney acknowledges the Gadigal of the Eora Nation as the Traditional Custodians of our local area.

**CITY OF SYDNEY** 

# Council of the City of Sydney

## Special Schedules

for the year ended 30 June 2023

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#### **Special Schedules:**

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2023 4

# Council of the City of Sydney

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	319,261	326,477
Plus or minus adjustments <sup>2</sup>	b	320	1,217
<b>Notional general income</b>	c = a + b	<b>319,581</b>	<b>327,694</b>
<b>Permissible income calculation</b>			
Rate peg percentage	d	2.50%	0.00%
Or crown land adjustment (incl. rate peg percentage)		0.00%	3.83%
Plus rate peg amount	e = c x d	7,990	-
Or plus Crown land adjustment and rate peg amount		-	12,551
<b>Sub-total</b>	f = c + e	<b>327,571</b>	<b>340,245</b>
Plus (or minus) last year's carry forward total		-	679
<b>Less valuation change claimed in the previous year</b>	h	(415)	-
<b>Sub-total</b>		<b>(415)</b>	<b>679</b>
<b>Total permissible income</b>	i = f + g + h	<b>327,156</b>	<b>340,924</b>
Less notional general income yield	j	326,477	340,889
<b>Catch-up or (excess) result</b>	l = i - j + k	<b>679</b>	<b>35</b>
<b>Carry forward to next year <sup>3</sup></b>	t = q + r + s	<b>679</b>	<b>35</b>

The Council has the accumulated balance of \$679,511 from the previous year shortfall in the general income. This can be used as a one-off catch-up in the future years under section 511 of the Local Government Act 1993.

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance <sup>c</sup>	2022/23 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard <sup>a</sup>	to bring to the agreed level of service set by Council <sup>b</sup>					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>Buildings</b>	Buildings – non-specialised	26,136	45,814	47,172	43,924	1,774,525	2,318,396	9.0%	48.0%	36.0%	5.0%	2.0%	
	Buildings – specialised <sup>e</sup>	6,219	7,066	2,254	2,819	40,233	67,855	12.0%	37.0%	20.0%	8.0%	23.0%	
	<b>Sub-total</b>	<b>32,355</b>	<b>52,880</b>	<b>49,426</b>	<b>46,743</b>	<b>1,814,757</b>	<b>2,386,251</b>	<b>9.1%</b>	<b>47.7%</b>	<b>35.5%</b>	<b>5.1%</b>	<b>2.6%</b>	
<b>Roads</b>	Sealed roads – surface	3,925	4,300	3,600	4,534	160,311	269,619	7.0%	62.0%	26.0%	5.0%	0.0%	
	Sealed roads – structure	5,503	5,503	190	239	590,257	685,334	32.0%	38.0%	21.0%	6.0%	3.0%	
	Bridges	985	505	158	199	70,610	98,963	35.0%	40.0%	24.0%	1.0%	0.0%	
	Footpaths	8,011	4,435	5,573	7,019	428,467	728,878	17.0%	39.0%	42.0%	2.0%	0.0%	
	Kerb and gutter	9,380	9,924	1,346	1,695	187,660	422,391	7.0%	42.0%	44.0%	7.0%	0.0%	
	Other road infrastructure assets <sup>f</sup>	1,256	1,303	110	139	51,194	86,059	18.0%	55.0%	23.0%	2.0%	2.0%	
	<b>Sub-total</b>	<b>29,060</b>	<b>25,970</b>	<b>10,977</b>	<b>13,825</b>	<b>1,488,499</b>	<b>2,291,244</b>	<b>19.3%</b>	<b>42.6%</b>	<b>32.7%</b>	<b>4.4%</b>	<b>1.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	5,069	5,069	2,272	2,032	366,453	521,252	28.0%	61.0%	8.0%	2.0%	1.0%	
	<b>Sub-total</b>	<b>5,069</b>	<b>5,069</b>	<b>2,272</b>	<b>2,032</b>	<b>366,453</b>	<b>521,252</b>	<b>28.0%</b>	<b>61.0%</b>	<b>8.0%</b>	<b>2.0%</b>	<b>1.0%</b>	
<b>Open space / recreational assets</b>	Open Space Assets	14,444	25,260	17,719	21,278	323,421	791,618	12.0%	17.0%	64.0%	7.0%	0.0%	
	<b>Sub-total</b>	<b>14,444</b>	<b>25,260</b>	<b>17,719</b>	<b>21,278</b>	<b>323,421</b>	<b>791,618</b>	<b>12.0%</b>	<b>17.0%</b>	<b>64.0%</b>	<b>7.0%</b>	<b>0.0%</b>	
<b>Total – all assets</b>		<b>80,928</b>	<b>109,179</b>	<b>80,394</b>	<b>83,878</b>	<b>3,993,130</b>	<b>5,990,365</b>	<b>15.0%</b>	<b>42.8%</b>	<b>35.8%</b>	<b>4.8%</b>	<b>1.6%</b>	

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2023 (continued)

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### 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 5 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 traffic facilities (e.g. traffic islands, median strips, thresholds)

### 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 2023

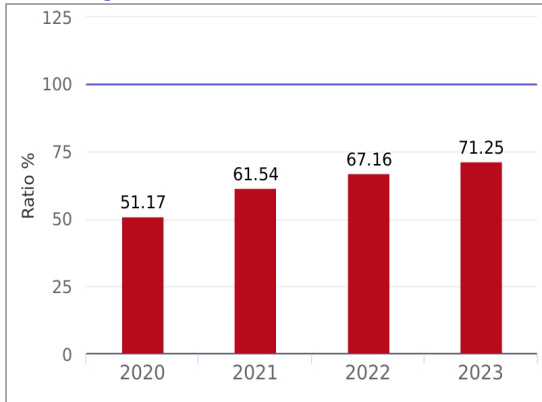
### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
<b>1. Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>63,318</b>	<b>71.25%</b>	67.16%	61.54%	> 100.00%
Depreciation, amortisation and impairment	<b>88,867</b>				
<b>1a. Buildings and infrastructure renewals ratio (alternate) <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>63,318</b>	<b>88.00%</b>	75.45%	75.98%	> 100.00%
Required asset renewal (per adopted asset management strategy)	<b>71,950</b>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>80,928</b>	<b>1.93%</b>	2.00%	1.36%	< 2.00%
Net carrying amount of infrastructure assets	<b>4,191,268</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>83,878</b>	<b>104.33%</b>	97.24%	101.76%	> 100.00%
Required asset maintenance	<b>80,394</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>109,179</b>	<b>1.82%</b>	1.74%	1.50%	
Gross replacement cost	<b>5,990,365</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.

**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 2022/23 result**

**2022/23 ratio 71.25%**

Ratio performance improved for 2022/23, with significant progress made on a number of key renewal projects. The improved result was achieved despite a 10% increase in the ratio denominator (depreciation expense) which increased on the previous year due to asset revaluations that lifted the depreciable value of buildings and infrastructure assets.

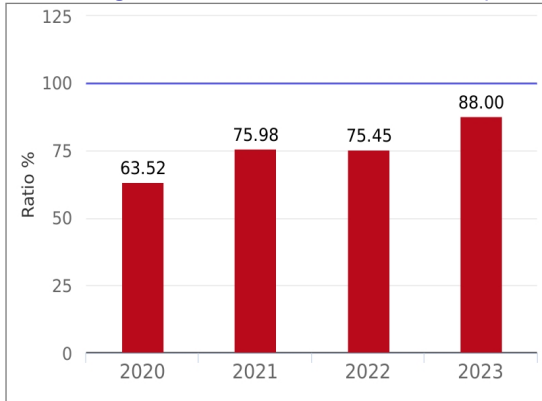
Benchmark: — > 100.00%

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 2022/23 result**

**2022/23 ratio 88.00%**

Required renewal reflects projections included in the Asset Management Plan (part of the Resourcing Strategy). As noted for ratio 1 above, ratio performance improved for 2022/23, with significant progress made on a number of key renewal projects.

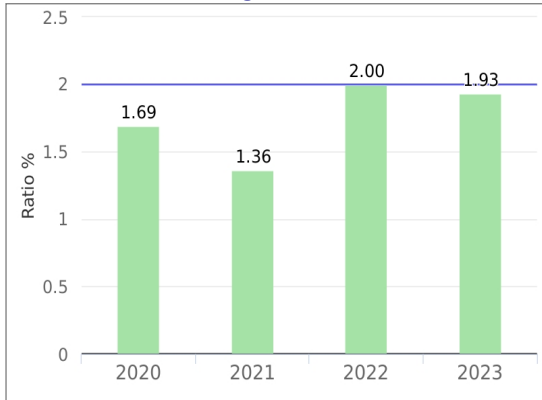
Benchmark: — > 100.00%

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 2022/23 result**

**2022/23 ratio 1.93%**

A minor improvement in ratio performance was achieved in 2022/23, reflecting improved asset renewal and asset maintenance performance. 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.

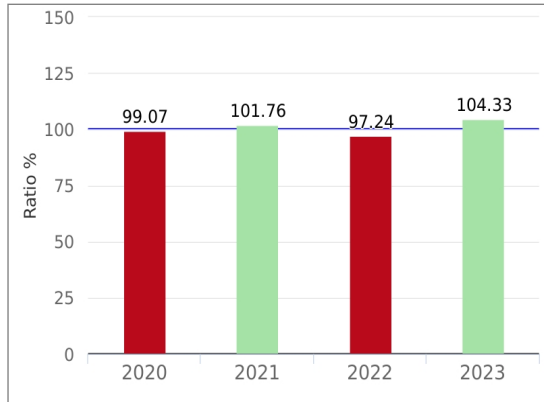
Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

**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 2022/23 result**

**2022/23 ratio 104.33%**

Council's performance ratio result exceeds benchmark, within an acceptable range. A ratio result consistently and significantly in excess of 100% would represent potential over-servicing of assets. In certain cases, where commencement of asset renewal is required to be deferred, additional maintenance expenditure can be necessary to preserve asset service capacity.

Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

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 2022/23 result**

**2022/23 ratio 1.82%**

Council has met the benchmark for this ratio for all years shown. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation. Some decline in asset condition is reflected in 2021/22, due to condition assessments and updates to Infrastructure Assets as part of the revaluation of the class, and significant weather events in 2022.