

Strathfield Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Strathfield Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

65 Homebush Rd
Strathfield NSW 2135

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.strathfield.nsw.gov.au.

Strathfield Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

The overall change for the year 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.

Strathfield Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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



Stephanie Kokkolis

Mayor

04 November 2021



Nella Hall

Councillor

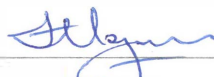
04 November 2021



Henry T Wong

Chief Executive

04 November 2021



Francis B Mangru

Chief Financial Officer

04 November 2021

Strathfield Municipal Council

Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget</i>	<i>2021</i>	<i>\$ '000</i>	<i>Notes</i>	<i>Actual 2021</i>	<i>Restated Actual 2020 ⁵</i>
Income from continuing operations					
31,215	Rates and annual charges		B2-1	31,796	31,089
4,877	User charges and fees		B2-2	4,337	3,551
3,351	Other revenue		B2-3	2,749	2,784
5,728	Grants and contributions provided for operating purposes		B2-4	2,738	2,957
13,160	Grants and contributions provided for capital purposes ^{1,2}		B2-4	5,199	8,928
818	Interest and investment income		B2-5	291	749
–	Other income		B2-6	929	962
59,149	Total income from continuing operations			48,039	51,020
Expenses from continuing operations					
19,893	Employee benefits and on-costs ²		B3-1	21,218	18,914
16,193	Materials and services		B3-2	15,366	14,996
6,765	Depreciation and amortisation ³		B3-3	8,936	7,412
1,100	Other expenses		B3-4	1,044	959
850	Net losses from the disposal of assets ⁴		B4-1	1,799	1,139
44,801	Total expenses from continuing operations			48,363	43,420
14,348	Operating result from continuing operations			(324)	7,600
14,348	Net operating result attributable to Council			(324)	7,600
1,183	Net operating result for the year before grants and contributions provided for capital purposes			(5,523)	(1,328)

(1) The grants & contributions for capital purposes does not include \$4.898 million of unspent capital grants which are recognised as contract liability (Note C3-2) in 2020/21.

(2) It is noteworthy that Council has levied a total of \$13.14 million in capital contributions under section 7.11 & 7.12 during the financial year.

(2) Employee benefits and on-costs have increased due to (a) higher workers compensation premium of approximately \$0.6 million where Strathfield Council is part of a mutual insurance arrangement and the yearly premiums are dependent on the claims history of every member council, and (b) reduced allocation of approximately \$1.1 million to the capital works program. In addition to this, there was also a mandated award increase of 1.5%.

(3) Increase in the depreciation expense is primarily due to the upward revaluation of infrastructure assets (roads, bridges, footpath and stormwater drainage) in 2019/20.

(4) Net losses from disposal of assets relate to plant and equipment, roads (surface and base) and footpath assets replaced as part of the capital program.

(5) 2020 actuals have been restated to adjust for prior year errors identified by management in the Infrastructure, Property, Plant & Equipment assets.

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

Strathfield Municipal Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	<i>Restated</i> 2020
Net operating result for the year – from Income Statement		(324)	7,600
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	1,798	82,526
Total items which will not be reclassified subsequently to the operating result		1,798	82,526
Total other comprehensive income for the year		1,798	82,526
Total comprehensive income for the year attributable to Council		1,474	90,126

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

Strathfield Municipal Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	13,346	5,735	14,884
Investments	C1-2	27,000	31,000	30,000
Receivables	C1-4	3,248	3,977	2,308
Inventories	C1-5	74	84	90
Other	C1-7	325	245	147
Total current assets		43,993	41,041	47,429
Non-current assets				
Receivables	C1-4	645	234	222
Infrastructure, property, plant and equipment	C1-6	476,480	471,469	375,012
Total non-current assets		477,125	471,703	375,234
Total assets		521,118	512,744	422,663
LIABILITIES				
Current liabilities				
Payables	C3-1	14,424	12,707	13,268
Contract liabilities	C3-2	5,116	426	–
Employee benefit provisions	C3-4	4,948	4,439	4,065
Total current liabilities		24,488	17,572	17,333
Non-current liabilities				
Employee benefit provisions	C3-4	226	242	172
Total non-current liabilities		226	242	172
Total liabilities		24,714	17,814	17,505
Net assets		496,404	494,930	405,158
EQUITY				
Accumulated surplus	C4-1	213,166	213,490	206,244
IPPE revaluation reserve	C4-1	283,238	281,440	198,914
Council equity interest		496,404	494,930	405,158
Total equity		496,404	494,930	405,158

(1) Due to the correction of prior period errors identified by management, the last reporting period (1 July 2019) is presented to reflect the corrected Infrastructure, Property, Plant & Equipment (IPPE) balance forward. Please refer to Note F4-1 (Correction of errors) for further information.

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

Strathfield Municipal Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		213,490	281,440	494,930	206,244	202,266	408,510
Correction of prior period errors	F4-1	-	-	-	-	(3,352)	(3,352)
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(354)	-	(354)
Restated opening balance		213,490	281,440	494,930	205,890	198,914	404,804
Net operating result for the year		(324)	-	(324)	7,559	-	7,559
Correction of prior period errors	F4-1	-	-	-	41	-	41
Restated net operating result for the period		(324)	-	(324)	7,600	-	7,600
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	1,798	1,798	-	82,526	82,526
Other comprehensive income		-	1,798	1,798	-	82,526	82,526
Total comprehensive income		(324)	1,798	1,474	7,600	82,526	90,126
Closing balance at 30 June		213,166	283,238	496,404	213,490	281,440	494,930

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

Strathfield Municipal Council

Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget 2021</i>	<i>\$ '000</i>	Notes	<i>Actual 2021</i>	<i>Actual 2020</i>
Cash flows from operating activities				
Receipts:				
31,205	Rates and annual charges		31,149	30,794
4,810	User charges and fees		3,230	3,950
745	Investment and interest revenue received		332	940
18,791	Grants and contributions		12,836	11,733
1,300	Bonds, deposits and retention amounts received		1,216	232
3,407	Other		5,516	2,004
Payments:				
(19,880)	Employee benefits and on-costs		(19,795)	(19,055)
(6,346)	Materials and services		(15,712)	(6,865)
(12,283)	Other		(1,142)	(8,531)
21,749	Net cash flows from operating activities	F1-1	17,630	15,202
Cash flows from investing activities				
Receipts:				
30,000	Sale of investment securities		27,000	31,000
843	Sale of infrastructure, property, plant and equipment		434	457
Payments:				
(35,000)	Purchase of investment securities		(27,000)	(32,000)
–	Acquisition of term deposits		4,000	–
(13,076)	Purchase of infrastructure, property, plant and equipment		(14,453)	(23,808)
(17,233)	Net cash flows from investing activities		(10,019)	(24,351)
4,516	Net change in cash and cash equivalents		7,611	(9,149)
11,764	Cash and cash equivalents at beginning of year		5,735	14,884
16,280	Cash and cash equivalents at end of year	C1-1	13,346	5,735
40,000	plus: Investments on hand at end of year	C1-2	27,000	31,000
56,280	Total cash, cash equivalents and investments		40,346	36,735

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

Strathfield Municipal Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 04 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6.
- (ii) employee benefit provisions – refer Note C3-4.

COVID 19 impacts

Covid-19 has caused disruption to the Council's business practices with indoor staff working from home and outdoor staff operating from multiple locations.

Council has incurred additional cleaning costs for its administration and community facilities. The Council has lost revenue due to no or reduced community access to these facilities in line with the Public Health Orders (PHO).

Rates and other collections are consistent with the comparative year and the overall financial impact has not been significant. In line with the State government legislation, the Council has had to defer the collection outstanding rates and associated interest charges.

Council is of the view that physical non-current assets will not experience substantial decline in value due to the pandemic. The fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated change in value. For assets where the fair value is determined by reference to market values, Council has no evidence of material changes to these values. It has not been practicable for Council to consider obtaining external valuation for operational land and specialised buildings late in the financial reporting cycle.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

A1-1 Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 Revenue from Contracts with Customers and / or AASB 1058 Income of Not-for-Profit Entities – refer to Notes B2-2 – B2-4.

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.

Council's consolidated fund is the General Fund.

The Trust Fund

Council does not hold any monies in the Trust Fund.

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

Strathfield Council has various opportunities for volunteers to be involved in projects ranging from teaching computers for seniors, reading buddies to assisting with other community projects or events. Strathfield Council defines volunteering as;

- To benefit the community and the volunteer
- To be done by the volunteer without coercion
- With no financial gain
- For designated volunteer positions

As a result, no attempt has been made to recognise the value of these services in the income statement because it cannot be reliably estimated..

The volunteer program aims to provide volunteers with a level of engagement that involves the residents in our community and enhances social, cultural and environmental outcomes. Volunteering with Strathfield Council will;

- Benefit the community and the volunteer
- Enhance your skills to help others
- Gain Work Experience
- Learn new skills
- Meet new people
- Promotes human rights and equality
- Have a sense of purpose

Community events have a unique ability to bring people together. There are a variety of roles available at Strathfield Events to suit people of all abilities and experience levels, such as:

- Cooks River Fun Run (June)
- Strathfield Spring Festival (September)
- Strathfield Christmas Carols (December)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods (and which have not been early adopted by Council).

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

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

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i> <i>Restated</i>	<i>2021</i>	<i>2020</i> <i>Restated</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i> <i>Restated</i>
Functions or activities										
Governance	–	–	320	300	(320)	(300)	–	–	15	22
Administration	487	985	4,207	4,369	(3,720)	(3,384)	–	–	41,522	37,623
Public Order and Safety	2,428	2,153	1,200	1,088	1,228	1,065	180	36	327	173
Health	19	10	–	–	19	10	–	139	–	–
Environment	14,006	13,152	13,316	12,206	690	946	415	31	47,100	47,052
Community Services and Education	1,235	525	3,924	5,714	(2,689)	(5,189)	1,156	688	4,787	4,442
Housing and Community Amenities	659	709	1,068	819	(409)	(110)	–	–	5,136	14,213
Recreation and Culture	2,923	1,873	12,248	13,431	(9,325)	(11,558)	506	2,756	133,391	119,620
Mining, Manufacturing and Construction	796	1,054	2,148	2,112	(1,352)	(1,058)	–	–	23,531	21,356
Transport and Communication	2,554	4,546	9,932	3,381	(7,378)	1,165	1,610	445	266,783	267,026
General Purpose Income	22,932	26,013	–	–	22,932	26,013	4,070	7,790	–	–
Other	–	–	–	–	–	–	–	–	(1,474)	1,217
Total functions and activities	48,039	51,020	48,363	43,420	(324)	7,600	7,937	11,885	521,118	512,744

B1-2 Components of functions or activities

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g.GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order and Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community Services and Education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and Community Amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Recreation and Culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, Manufacturing and Construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

General Purpose Income

Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2021	2020
Ordinary rates			
Residential	2	13,260	13,022
Business	2	5,392	5,655
Other		1	–
Less: pensioner rebates (mandatory)	2	(87)	(161)
Less: pensioner rebates (Council policy)	2	(91)	(20)
Less: rates levied on council properties	2	(55)	(59)
Rates levied to ratepayers		18,420	18,437
Pensioner rate subsidies received	2	78	88
Total ordinary rates		18,498	18,525
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	2	12,865	12,219
Stormwater management services	2	314	310
Section 611 charges	2	179	100
Less: pensioner rebates (mandatory)	2	(57)	(103)
Less: pensioner rebates (Council policy)	2	(55)	(18)
Annual charges levied		13,246	12,508
Pensioner subsidies received:			
– Domestic waste management	2	52	56
Total annual charges		13,298	12,564
Total rates and annual charges		31,796	31,089

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	30	70
Waste management services (non-domestic)	2	59	36
Total specific user charges		89	106
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation ¹	2	662	796
Registration fees		1	1
Section 10.7 certificates (EP&A Act)	2	133	86
Section 603 certificates	2	89	69
Health act	2	142	125
Total fees and charges – statutory/regulatory		1,027	1,077
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres	2	–	21
Community services	2	–	3
Credit card service fee	2	43	37
Library and art gallery	2	7	12
Park rents	2	616	526
Festivals and events	2	1	19
Restoration charges	2	2	33
Hoarding income	2	167	64
Hudson park golf course and driving range	2	1,705	1,008
Other property rentals	2	55	69
Parking fees	2	61	54
Privately funded works and anchor work permits	2	63	35
Road opening permits	2	4	6
Work zone parking and standing plant permits	2	303	271
Residential Parking Scheme	2	2	2
Public halls	2	153	50
Other	2	6	–
Road closure	2	33	158
Total fees and charges – other		3,221	2,368
Total user charges and fees		4,337	3,551
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		4,337	3,551
Total user charges and fees		4,337	3,551

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

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

(1) This includes fees received in advance for development applications that were not determined as at 30 June 2021.

B2-3 Other revenue

\$ '000	<i>Timing</i>	2021	2020
Ex gratia rates	2	173	224
Fines – parking	2	2,102	1,969
Legal fees recovery – rates and charges (extra charges)	2	1	86
Legal fees recovery – other	2	–	30
Commissions and agency fees	2	1	(1)
Diesel rebate	2	40	43
Community bus sponsorship	2	2	50
Insurance claims recoveries	2	164	102
Sale of abandoned vehicles	2	17	16
Insurance incentives/rebates	2	66	107
Other	2	40	5
Nursery sales	2	–	1
Other corporate income	2	52	51
Recycling income (non-domestic)	2	91	93
Utilities reimbursements	2	–	8
Total other revenue		<u>2,749</u>	<u>2,784</u>

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	2,749	2,784
Total other revenue		<u>2,749</u>

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital ^{1,2} 2021	Capital ^{1,2} 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	499	482	–	–
Financial assistance – local roads component	2	155	147	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	534	456	–	–
Financial assistance – local roads component	2	166	156	–	–
Amount recognised as income during current year		1,354	1,241	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
– Other		5	–	–	–
Aged care	2	–	170	–	–
Community care	1	13	21	–	250
Community centres		–	–	1,143	–
Environmental programs	2	394	247	–	–
Heritage and cultural	2	–	10	–	–
Library	2	193	154	–	–
Other – waste	2	189	139	–	–
Noxious weeds	2	–	31	–	–
Road safety	2	51	44	–	–
Recreation and culture	2	–	132	315	2,460
Street lighting	2	134	134	–	–
Transport (other roads and bridges funding)	2	–	–	724	80
Other - Transport Greater Sydney Commission	2	–	–	–	1
Transport (roads to recovery)	2	182	186	–	–
Other specific grants		12	36	–	–
Previously contributions:					
Transport for NSW contributions (regional roads, block grant)	2	192	359	–	–
Total special purpose grants and non-developer contributions – cash		1,365	1,663	2,182	2,791
Total special purpose grants and non-developer contributions (tied)		1,365	1,663	2,182	2,791
Total grants and non-developer contributions		2,719	2,904	2,182	2,791
Comprising:					
– Commonwealth funding		1,355	1,597	182	–
– State funding		1,026	907	2,000	2,700
– Other funding		338	400	–	91
		2,719	2,904	2,182	2,791

(1) The grants & contributions for capital purposes does not include \$4.898 million of unspent capital grants which are recognised as contract liability (Note C3-2) in 2020/21.

(2) It is noteworthy that Council has levied a total of \$13.14 million in capital contributions under section 7.11 & 7.12 during the financial year.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital^{1,2} 2021	Capital^{1,2} 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	19	53	1,649	5,494
S 7.12 – fixed development consent levies		2	–	–	1,368	643
Total developer contributions – cash			19	53	3,017	6,137
Total developer contributions			19	53	3,017	6,137
Total contributions			19	53	3,017	6,137
Total grants and contributions			2,738	2,957	5,199	8,928
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			2,738	2,957	5,199	8,928
Total grants and contributions			2,738	2,957	5,199	8,928

(1) The grants & contributions for capital purposes does not include \$4.898 million of unspent capital grants which are recognised as contract liability (Note C3-2) in 2020/21.

(2) It is noteworthy that Council has levied a total of \$13.14 million in capital contributions under section 7.11 & 7.12 during the financial year.

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	<i>Operating</i> 2021	<i>Operating</i> 2020	<i>Capital</i> 2021	<i>Capital</i> 2020
Unspent grants and contributions				
Unspent funds at 1 July	101	1,000	–	–
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(101)	(899)	–	–
Unspent funds at 30 June	–	101	–	–
Contributions				
Unspent funds at 1 July	–	–	12,352	18,309
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	3,091	5,121
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(2,132)	(11,078)
Unspent contributions at 30 June	–	–	13,311	12,352

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include completion of milestone reports. 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).

B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	56	58
– Cash and investments	235	691
Total interest and investment income (losses)	291	749
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	56	58
General Council cash and investments	179	587
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	56	104
Total interest and investment income	291	749

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Room/Facility Hire		426	503
Leaseback fees - council vehicles		270	261
Other		233	198
Total Other lease income		929	962
Total rental income	C2-2	929	962
Total other income		929	962

B3 Costs of providing services

B3-1 Employee benefits and on-costs ²

\$ '000	2021	2020
Salaries and wages	16,633	16,432
Employee termination costs (where material – other than vested leave paid)	365	186
Travel expenses	1	5
Employee leave entitlements (ELE)	3,204	3,077
Superannuation	1,921	1,963
Workers' compensation insurance	1,416	835
Fringe benefit tax (FBT)	84	109
Training costs (other than salaries and wages)	267	190
Other	146	113
Total employee costs	24,037	22,910
Less: capitalised costs	(2,819)	(3,996)
Total employee costs expensed	21,218	18,914
Number of 'full-time equivalent' employees (FTE) at year end	227	225

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 D3-1 for more information.

(2) Employee benefits and on-costs have increased due to (a) higher workers compensation premium of approximately \$0.6 million where Strathfield Council is part of a mutual insurance arrangement and the yearly premiums are dependent on the claims history of every member council, and (b) reduced allocation of approximately \$1.1 million to the capital works program. In addition to this, there was also a mandated award increase of 1.5%.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		5,332	4,355
Contractor and consultancy costs		818	665
– Street and gutter cleaning		710	815
Audit Fees	E2-1	203	156
Infringement notice contract costs (SEINS)		262	254
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	E1-2	200	206
Advertising		70	149
Bank charges		64	43
Cleaning		442	439
Electricity, heating and water		317	384
Insurance		930	900
Office expenses (including computer expenses)		112	190
Postage		147	111
Printing and stationery		111	107
Street lighting		454	490
Subscriptions, memberships and publications		222	257
Telephone and communications		385	463
Other expenses		94	119
Security		35	33
Waste disposal – tipping fees		3,509	3,607
Legal expenses:			
– Legal expenses: planning and development		906	1,111
– Legal expenses: debt recovery		2	102
– Legal expenses: other		–	14
Expenses from short-term leases		41	26
Total materials and services		15,366	14,996
Total materials and services		15,366	14,996

Accounting policy

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

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020 <i>Restated</i>
Depreciation and amortisation			
Plant and equipment		1,285	1,257
Office equipment		894	676
Land improvements (depreciable)		125	135
Infrastructure:	C1-6		
– Buildings – non-specialised		101	98
– Buildings – specialised		546	471
– Roads		2,274	1,842
– Bridges		122	28
– Footpaths		524	444
– Stormwater drainage		766	571
– Other open space/recreational assets		2,041	1,671
Other assets:			
– Library books		117	128
– Other		141	91
Total gross depreciation and amortisation costs		8,936	7,412
Total depreciation and amortisation costs ³		8,936	7,412
Total depreciation, amortisation and impairment for non-financial assets		8,936	7,412

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. Useful lives are included in Note C1-6 for IPPE assets

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(3) Increase in the depreciation expense is primarily due to the upward revaluation of infrastructure assets (roads, bridges, footpath and stormwater drainage) in 2019/20.

B3-4 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		(8)	39
Total impairment of receivables	C1-4	(8)	39
Other			
Contributions/levies to other levels of government			
– Department of planning levy		95	95
– Emergency services levy (includes FRNSW, SES, and RFS levies)		87	68
– NSW fire brigade levy		817	718
Donations, contributions and assistance to other organisations (Section 356)		53	39
Total other		1,052	920
Total other expenses		1,044	959

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		434	457
Less: carrying amount of plant and equipment assets sold/written off		(205)	(366)
Gain (or loss) on disposal		229	91
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of road assets sold/written off ^a		(1,568)	(326)
Less: carrying amount of footpath assets sold/written off ^b		(460)	(211)
Less: carrying amount of building assets sold/written off		–	(404)
Less: carrying amount of open space assets sold/written off		–	(108)
Less: carrying amount of work in progress assets sold/written off		–	(181)
Gain (or loss) on disposal		(2,028)	(1,230)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		27,000	31,000
Less: carrying amount of investments sold/redeemed/matured		(27,000)	(31,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets ⁴		(1,799)	(1,139)

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.

- (4) Net losses from disposal of assets relate to plant and equipment, roads (surface and base) and footpath assets replaced as part of the capital program.
- (a) This includes road surface, road base and kerbs & gutters that were replaced through capital works undertaken during the financial year. The carrying amounts stated is replaced by the new asset value in Council's asset register. The works included Section 7.11, Local Area Traffic Management (LATM), kerbs and gutters replacement program, RMS block grant and stimulus funding. Council budgeted \$0.45 million in disposal of road asset.
- (b) This includes footpaths that were replaced through capital works undertaken during the financial year. The carrying amounts stated is replaced by the new asset value in Council's asset register. There was no budget for this.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 07/04/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
REVENUES					
Rates and annual charges	31,215	31,796	581	2%	F
User charges and fees	4,877	4,337	(540)	(11)%	U
The reduction in user fees & charges is a result of rental income now being reported in Other Income (see below).					
Other revenues	3,351	2,749	(602)	(18)%	U
Council's revenues have been impacted as a result of a reduction in the use of Council's services and facilities due to Covid 19. This includes a reduction in revenue from parking fines as well as a reduction in recovery of legal costs. In comparison to 2019/20 actual, this has dropped by \$35k (1.3%).					
Operating grants and contributions	5,728	2,738	(2,990)	(52)%	U
During the annual budgeting process, a capital grant wrongly budgeted as operating grants. 2020/21 actuals is \$219K (7.4%) lower compared to the previous financial year.					
Capital grants and contributions	13,160	5,199	(7,961)	(60)%	U
The reduction in capital grants is a matter of timing and whether Council's grant applications have been approved for funding by commonwealth or state agencies. This is also highly impacted by the capital contributions received versus the actual planning determination process.					
The Council had received \$4.898M in various capital grants in 2020/21 which were not spent by 30 June 2021 and therefore, have been transferred to the Balance Sheet as a liability.					
Interest and investment revenue	818	291	(527)	(64)%	U
The reduction in interest and investment return is a result of Council's large capital works program funded from reserves and reduced returns on investments by banking institutions. The reduction of cash rate affecting the return of investment had only impact 2019/20 for the second half of the year whilst 2020/21 has experienced the full year of low return on investment.					
During the three quarterly reviews, the budget was revised downward by \$390k to account for the reduced investment return.					
Other income	-	929	929	∞	F
Rental income was previously reported in user charges and fees.					

EXPENSES

Employee benefits and on-costs	19,893	21,218	(1,325)	(7)%	U
The two major items that have affected the actuals for employee cost is the lower capitalisation of salaries and wages compared to the previous financial year. This was a reduction of approximately \$1.1 million and an increase in workers' compensation premium of approximately \$0.58 million. A budget variation of \$829k was done in March 2021 after receiving					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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notice from Statewide Mutual for additional premium.

Materials and services	16,193	15,366	827	5%	F
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Depreciation, amortisation and impairment of non-financial assets	6,765	8,936	(2,171)	(32)%	U
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The increase in depreciation costs is as a result of Council's large capital works program over the past three years, with the constructed assets now amortised over their useful lives. In addition to this there was a revaluation of infrastructure Roads Assets which increased the gross replacement amount by approximately \$82 million.

Other expenses	1,100	1,044	56	5%	F
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Net losses from disposal of assets	850	1,799	(949)	(112)%	U
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The budget variation is due to the loss on disposal of assets not in the original budget. This has come across as a result of thorough examination of our asset registers.

This includes existing assets (roads and footpath asset class) replaced through capital works undertaken during the financial year. The carrying amounts stated is replaced by the new asset value in Council's asset register.

The road surface, road base, kerbs & gutters and footpath that were replaced through capital works undertaken during the financial year. The carrying amounts stated is replaced by the new asset value in Council's asset register. The works included Section 7.11, Local Area Traffic Management (LATM), kerbs and gutters replacement program, RMS block grant and stimulus funding.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	21,749	17,630	(4,119)	(19)%	U
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The budget variation was due to a reduction in revenues including receipt of grants and reduced income on investments.

Cash flows from investing activities	(17,233)	(10,019)	7,214	(42)%	F
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The budget variation was due to lower than expected purchases of investment.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	235	416
Cash-equivalent assets		
– Deposits at call	13,111	5,319
Total cash and cash equivalents	13,346	5,735

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,346	5,735
Balance as per the Statement of Cash Flows	13,346	5,735

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	27,000	–	31,000	–
Total	27,000	–	31,000	–
Total financial investments	27,000	–	31,000	–
Total cash assets, cash equivalents and investments	40,346	–	36,735	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

continued on next page ...

C1-2 Financial investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	40,346	–	36,735	–
attributable to:				
External restrictions	19,432	–	15,980	–
Internal restrictions	15,219	–	13,920	–
Unrestricted	5,695	–	6,835	–
	40,346	–	36,735	–

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	4,898	152
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External restrictions – included in liabilities

	4,898	152
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External restrictions – other

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

Developer contributions – general	10,972	12,352
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Specific purpose unexpended grants (recognised as revenue) – general fund	–	101
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Stormwater management	731	555
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Domestic waste management	2,831	2,820
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External restrictions – other	14,534	15,828
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Total external restrictions	19,432	15,980
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Internal restrictions

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

Plant and vehicle replacement	1,130	1,130
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Employees leave entitlement	1,285	1,285
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Carry over works	38	38
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Deposits, retentions and bonds	10,220	9,004
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Adshel (bus shelters)	270	270
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Election	260	229
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Future major expenditure	927	927
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Parkscape improvements	29	29
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Risk management	195	195
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Technology	165	174
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Financial Assistance Grant - paid in advance	700	639
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Total internal restrictions	15,219	13,920
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Total restrictions	34,651	29,900
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	980	645	736	234
Interest and extra charges	99	–	106	–
User charges and fees	1,356	–	212	–
Accrued revenues				
– Interest on investments	22	–	56	–
– Other income accruals	265	–	1,877	–
Government grants and subsidies	–	–	254	–
Net GST receivable	470	–	491	–
Other debtors	88	–	–	–
Total	3,280	645	4,017	234
Less: provision of impairment				
User charges and fees	(32)	–	(40)	–
Total provision for impairment – receivables	(32)	–	(40)	–
Total net receivables	3,248	645	3,977	234
Externally restricted receivables				
Other				
– Other restricted receivables (developer contributions accrued)	–	–	1,173	–
Total external restrictions	–	–	1,173	–
Unrestricted receivables	3,248	645	2,804	234
Total net receivables	3,248	645	3,977	234

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	40	32
+ new provisions recognised during the year	26	40
– amounts already provided for and written off this year	(34)	(32)
Balance at the end of the year	32	40

Accounting policy

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

Impairment

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

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

When considering the ECL for rates receivables, 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 receivables, 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:

C1-4 Receivables (continued)

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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.

COVID 19

Council's rates and user charges collections in the current financial year have not been significantly impacted by the pandemic. Cashflows and interest income have however been impacted in the 2020/21 financial year as a result of State Government legislation to defer rates instalment collections to 30 September and reduce the rate of interest on arrears to 0% p.a. to 31 December 2020. The financial impact is not expected to be significant.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	74	-	84	-
Total inventories at cost	74	-	84	-
Total inventories	74	-	84	-

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	-	-	-	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	74	-	84	-
Total inventories	74	-	84	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	1,331	–	1,331	–	2,586	–	–	(1,118)	–	2,798	–	2,798
Plant and equipment	8,771	(4,626)	4,145	1,520	–	(205)	(1,285)	–	–	9,649	(5,474)	4,175
Office equipment	7,433	(2,981)	4,452	174	1,941	–	(894)	28	–	9,576	(3,875)	5,701
Land:												
– Crown land	5,220	–	5,220	–	–	–	–	–	–	5,220	–	5,220
– Operational land	69,175	–	69,175	–	–	–	–	–	–	69,175	–	69,175
– Community land	39,165	–	39,165	–	–	–	–	–	–	39,165	–	39,165
Land improvements – depreciable	4,426	(411)	4,015	141	–	–	(125)	–	–	4,567	(536)	4,031
Infrastructure:												
– Buildings – non-specialised	9,398	(2,776)	6,622	118	–	–	(101)	18	–	9,534	(2,877)	6,657
– Buildings – specialised	49,910	(16,048)	33,862	382	1,497	–	(546)	1,072	–	52,861	(16,594)	36,267
– Roads	182,696	(38,520)	144,176	2,265	475	(1,568)	(2,274)	–	–	183,413	(40,338)	143,075
– Bridges	13,503	(4,170)	9,333	–	–	–	(122)	–	–	13,503	(4,292)	9,211
– Footpaths	39,187	(8,643)	30,544	1,501	–	(460)	(524)	–	–	40,142	(9,080)	31,062
– Bulk earthworks (non-depreciable)	36,793	–	36,793	–	–	–	–	–	–	36,793	–	36,793
– Stormwater drainage	77,856	(35,091)	42,765	3	152	–	(766)	–	–	78,010	(35,857)	42,153
– Other open space/recreational assets	49,796	(10,751)	39,045	486	909	–	(2,041)	–	1,798	54,429	(14,231)	40,198
Other assets:												
– Library books	1,923	(1,592)	331	–	118	–	(117)	–	–	2,042	(1,709)	333
– Other	855	(360)	495	–	112	–	(141)	–	–	967	(501)	466
Total infrastructure, property, plant and equipment	597,438	(125,969)	471,469	6,590	7,790	(2,233)	(8,936)	–	1,798	611,844	(135,364)	476,480

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
\$ '000												
Capital work in progress	4,062	–	4,062	–	1,090	(181)	–	(3,638)	–	1,331	–	1,331
Plant and equipment	8,538	(3,723)	4,815	–	707	(366)	(1,257)	246	–	8,771	(4,626)	4,145
Office equipment	5,841	(2,305)	3,536	–	1,592	–	(676)	–	–	7,433	(2,981)	4,452
Land:												
– Operational land	69,175	–	69,175	–	–	–	–	–	–	69,175	–	69,175
– Community land	39,165	–	39,165	–	–	–	–	–	–	39,165	–	39,165
– Crown land	5,220	–	5,220	–	–	–	–	–	–	5,220	–	5,220
Land improvements – depreciable	4,039	(277)	3,762	387	–	–	(135)	–	–	4,426	(411)	4,015
Infrastructure:												
– Buildings – non-specialised	9,103	(2,678)	6,425	–	296	–	(98)	–	–	9,398	(2,776)	6,622
– Buildings – specialised	43,026	(15,661)	27,365	3,030	2,841	(404)	(471)	1,500	–	49,910	(16,048)	33,862
– Roads	124,612	(39,090)	85,522	1,428	686	(326)	(1,842)	272	58,437	182,696	(38,520)	144,176
– Bridges	9,679	(7,928)	1,751	–	–	–	(28)	–	7,611	13,503	(4,170)	9,333
– Footpaths	36,316	(9,433)	26,883	1,232	18	(211)	(444)	238	2,827	39,187	(8,643)	30,544
– Bulk earthworks (non-depreciable)	31,037	–	31,037	–	38	–	–	–	5,720	36,793	–	36,793
– Stormwater drainage	57,065	(21,680)	35,385	19	–	–	(571)	–	7,931	77,856	(35,091)	42,765
– Other open space/recreational assets	39,536	(9,332)	30,204	5,646	3,592	(108)	(1,671)	1,382	–	49,796	(10,751)	39,045
Other assets:												
– Library books	1,837	(1,464)	373	–	86	–	(128)	–	–	1,923	(1,592)	331
– Other	1,131	(796)	335	–	252	–	(91)	–	–	855	(360)	495
Total infrastructure, property, plant and equipment	489,382	(114,367)	375,015	11,742	11,198	(1,596)	(7,412)	–	82,526	597,438	(125,969)	471,469

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

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

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

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. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Useful lives of IPPE

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:

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Open Space/Recreational	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: major structures	50 to 100
Other plant and equipment	5 to 15	Buildings: minor structures	20 to 40
		Stormwater assets	
Transportation assets		Drains	80 to 100
Sealed roads: surface	35	Culverts	120
Sealed roads: structure	100	Flood control structures	80 to 100
Unsealed roads	20		
Bridge: concrete	100 to 120	Other infrastructure assets	
Bridge: other	50 to 100	Bulk earthworks	20
Road pavements	200	Swimming pools	100
Kerb, gutter and footpaths	80 to 100		

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

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every five (5) 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Crown reserves

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

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

C1-7 Other

Other assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Prepayments	325	-	245	-
Total other assets	325	-	245	-

Current other assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	-	-	-	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	325	-	245	-
Total other assets	325	-	245	-

C2 Leasing activities

C2-1 Council as a lessee

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The lease is for 3 years with no renewal option, the payments are fixed, however variable payments based are applicable if usage exceeds a threshold.

(a) Income Statement

\$ '000	2021	2020
Expenses relating to short-term leases	41	26
	41	26

(b) Statement of Cash Flows

Total cash outflow for leases	36	26
	36	26

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

Council has a licence over land at St Anne's Reserve, 30 Therry Street West, South Strathfield with Sydney Water at significantly below market which surrounds Sydney Water infrastructure to which they have easements to guarantee access to underground pipes.

Council does not believe that the licence is material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

\$ '000	2021	2020
Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	668	634
1–2 years	402	565
2–3 years	401	329
3–4 years	400	269
4–5 years	375	267
> 5 years	2,135	646
Total undiscounted lease payments to be received	4,381	2,710

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	1,421	–	1,777	–
Goods and services – capital expenditure	1,088	–	1,159	–
Accrued expenses:				
– Salaries and wages	1,015	–	85	–
– Other expenditure accruals	–	–	355	–
Security bonds, deposits and retentions	10,220	–	9,004	–
Prepaid rates	335	–	327	–
Other	345	–	–	–
Total payables	14,424	–	12,707	–
Total payables	14,424	–	12,707	–

Payables relating to restricted assets

Security bonds are held as Restricted Reserves see Note C1-3. There are no other restricted assets re payables.

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	9,198	8,100
Total payables	9,198	8,100

C3-1 Payables (continued)

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.

The financial liabilities of the Council comprise trade payables.

Payables

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

C3-2 Contract Liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:				
Unexpended capital grants (received prior to performance obligation being satisfied) ¹	4,898	-	253	-
Total grants received in advance	4,898	-	253	-
User fees and charges received in advance:				
Other ²	218	-	173	-
Total user fees and charges received in advance	218	-	173	-
Total contract liabilities	5,116	-	426	-

(1) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing. Accounting Standard (AASB 1058) that requires any unspent capital grants, with a specific performance obligation, to be taken out of the Income Statement and recognise as a 'Contract Liability' in the Balance Sheet. The Council had received \$4.898M in various capital grants in 2020/21 which were not spent by 30 June 2021 and therefore, have been transferred to the Balance Sheet as a liability.

(2) This includes fees received in advance for development applications that were not determined as at 30 June 2021.

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Operating contributions (received prior to performance obligation being satisfied)	-	101
Total revenue recognised that was included in the contract liability balance at the beginning of the period	-	101

Accounting policy

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

C3-3 Borrowings

C3-3 Borrowings (continued)

Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	<u>35</u>	<u>35</u>
Total financing arrangements	<u>35</u>	<u>35</u>
Undrawn facilities		
– Credit cards/purchase cards	<u>15</u>	<u>35</u>
Total undrawn financing arrangements	<u>15</u>	<u>35</u>

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	1,887	–	1,692	–
Sick leave	20	–	39	–
Long service leave	2,288	226	2,222	242
ELE on-costs	753	–	486	–
Total employee benefit provisions	4,948	226	4,439	242

Employee benefit provisions relating to restricted assets

There are no external restricted assets applicable to above provisions.

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,995	2,752
	2,995	2,752

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Revaluation reserve

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

D Risks and accounting uncertainties

D1-1 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.

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

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

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

\$ '000	<i>Carrying value</i> 2021	<i>Carrying value</i> 2020	<i>Fair value</i> 2021	<i>Fair value</i> 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,346	5,735	13,346	5,735
Receivables (excluding GST receivable)	3,423	3,720	3,422	3,719
Investments				
– Debt securities at amortised cost	27,000	31,000	27,000	31,000
Total financial assets	43,769	40,455	43,768	40,454
Financial liabilities				
Payables	14,089	12,380	14,089	12,380
Total financial liabilities	14,089	12,380	14,089	12,380

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Possible impact of a 0.25% movement in interest rates	100	250

(b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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 doubtful receivables as required and carries out credit checks on most non-rate debtors. Other than the receivable relating to the bank guarantee (see Note F3-1), there are no material receivables that have been subjected to a re-negotiation of repayment terms.

D1-1 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 recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

\$ '000	<i>Not yet overdue</i>	<i>< 1 year overdue</i>	<i>1 - 2 years overdue</i>	<i>2 - 5 years overdue</i>	<i>> 5 years overdue</i>	<i>Total</i>
2021						
Gross carrying amount	–	205	980	434	6	1,625
2020						
Gross carrying amount	1	646	254	16	53	970

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	<i>Not yet overdue</i>	<i>0 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>> 91 days overdue</i>	<i>Total</i>
2021						
Gross carrying amount	23	1,571	131	125	450	2,300
Expected loss rate (%)	0.00%	0.00%	0.00%	25.60%	0.00%	1.39%
ECL provision	–	–	–	32	–	32
2020						
Gross carrying amount	135	1,185	9	75	1,877	3,281
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.13%	1.22%
ECL provision	–	–	–	–	40	40

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

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

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

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	<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>> 5 Years</i>		
2021							
Trade/other payables	0.00%	10,220	3,781	-	-	14,001	14,089
Total financial liabilities		10,220	3,781	-	-	14,001	14,089
2020							
Trade/other payables	0.00%	9,004	3,702	-	-	12,706	12,380
Total financial liabilities		9,004	3,702	-	-	12,706	12,380

D2 Fair value measurement

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

– Infrastructure, property, plant and equipment

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).

		Fair value measurement hierarchy								
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total		
		2021	2020	2021	2020	2021	2020	2021	2020	
							Restated		Restated	
Recurring fair value measurements										
Infrastructure, property, plant and equipment C1-6										
Plant & Equipment		30/06/21	30/06/20	–	–	4,175	4,145	4,175	4,145	
Office Equipment		30/06/21	30/06/20	–	–	5,701	4,452	5,701	4,452	
Operational Land		30/06/18	30/06/18	69,175	69,175	–	–	69,175	69,175	
Community Land		30/06/18	30/06/17	–	–	39,165	39,165	39,165	39,165	
Crown Land		30/06/18	30/06/17	–	–	5,220	5,220	5,220	5,220	
Land Improvements depreciable		30/06/21	30/06/16	–	–	4,031	4,015	4,031	4,015	
Open Space/Recreational Assets		30/06/21	30/06/16	–	–	40,198	39,045	40,198	39,045	
Buildings Non Specialised		30/06/18	30/06/18	6,657	6,622	–	–	6,657	6,622	
Buildings Specialised		30/06/18	30/06/18	–	–	36,267	33,862	36,267	33,862	
Roads		30/06/20	30/06/20	–	–	143,075	144,176	143,075	144,176	
Bridges		30/06/20	30/06/20	–	–	9,211	9,333	9,211	9,333	
Footpaths		30/06/20	30/06/20	–	–	31,062	30,545	31,062	30,545	
Bulk Earthworks (non depreciable)		30/06/20	30/06/20	–	–	36,793	36,793	36,793	36,793	
Stormwater Drainage		30/06/20	30/06/20	–	–	42,153	42,765	42,153	42,765	
Library Books		30/06/21	30/06/16	–	–	333	331	333	331	
Other		30/06/21	30/06/16	–	–	466	495	466	495	
Total infrastructure, property, plant and equipment				75,832	75,797	397,850	394,342	473,682	470,139	

Non-recurring fair value measurements

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:

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

D2 Fair value measurement (continued)

The purchase cost of Plant & Equipment, Office Equipment and Furniture & Fittings are taken as their fair value. There has been no change to the valuation techniques during the reporting period.

Operational Land

The valuation of Council's operational land was undertaken at 30 June 2018 by an external valuation.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price.

Since professional judgements were required to determine the inputs these assets were classified as having been valued using Level 2 valuation inputs. There has been no change to the valuation techniques during the reporting period.

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General.

Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. The valuation of community land was undertaken as at 30 June 2017.

Land Under Roads

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

Land Improvement - Depreciable

This asset class comprises land improvements such as gardens, streetscaping and landscaping. These assets are located on parks and reserves. Valuations were performed by external valuers based on the information supplied and professional judgement. There has been no change to the valuation process during the reporting period.

Park Assets

Assets within this class have been valued by an external valuer at fair value comprising of Regional Sporting and Recreational Facilities and Playgrounds, Park Furniture and Fittings, Tennis Courts and Shelters.

Recreational and Park Infrastructure (picnic tables, seats, bollards, fences, BBQ's, etc). Extensive professional judgement has been required to determine the final fair value of assets. Valuation of Council's Park Assets was undertaken as at 30 June 2021 by external valuer.

Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by an external valuer in June 2018.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence and other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 2 and 3 inputs. There has been no change to the valuation techniques during the reporting period.

Roads

Roads include bulk earthworks, carriageway, roadside shoulders and road-side assets such as bus shelters, roundabouts, signs and street furniture. The cost approach using level 3 inputs was used to value this asset class. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers cost and assumptions from Council's civil design staff. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued under the cost approach using Level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers costs and assumptions from Council's civil design staff. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this class of asset.

D2 Fair value measurement (continued)

There has been no change to the valuation process during the reporting period.

Footpaths and Kerb & Gutter

Footpaths and Kerb & Gutter are segmented to match the adjacent road segment where possible. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on physical inspection. Condition information is updated as changes in the network are observed through regular inspections.

Footpaths and Kerb & Gutter were valued under the cost approach using Level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers cost per square metre or lineal metre and assumptions from Council's civil design staff. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and other water quality devices. The "cost approach" estimates the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres or certain diameter pipes and prices per pit or similar could be supported from extensive professional judgement and market evidence.

A revaluation was undertaken as at 30 June 2020 in-house based on tenderers costs and assumptions by Council's civil design staff, and there has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amounts of these assets are assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

Other Assets

The cost approach is used to value other assets which relate to miscellaneous assets of lower value. Council views these assets against quoted prices for the gross current replacement cost of similar assets and taking account of the pattern of consumption, estimated remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

D2 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	<i>Plant and equipment</i>		<i>Community and Crown Land</i>		<i>Land improvements depreciable</i>		<i>Specialised buildings</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Opening balance	8,597	8,351	44,385	44,385	4,015	3,762	33,862	27,365
Total gains or losses for the period								
Other movements								
Purchases (GBV)	3,663	2,545	–	–	141	388	2,951	7,372
Disposals (WDV)	(205)	(366)	–	–	–	–	–	(404)
Depreciation and impairment	(2,179)	(1,933)	–	–	(125)	(135)	(546)	(471)
Closing balance	9,876	8,597	44,385	44,385	4,031	4,015	36,267	33,862

\$ '000	<i>Roads</i>		<i>Bridges</i>		<i>Footpaths</i>		<i>Bulk earthworks (non-depreciable)</i>	
	<i>2021</i>	<i>2020 Restated</i>	<i>2021</i>	<i>2020 Restated</i>	<i>2021</i>	<i>2020 Restated</i>	<i>2021</i>	<i>2020 Restated</i>
Opening balance	144,176	85,525	9,333	1,773	30,544	26,884	36,793	31,036
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,740	2,386	–	–	1,501	1,488	–	37
Disposals (WDV)	(1,568)	(326)	–	–	(460)	(211)	–	–
Depreciation and impairment	(2,274)	(1,846)	(122)	(51)	(524)	(444)	–	–
Other movement - Revaluation	–	58,437	–	7,611	–	2,827	–	5,720
Closing balance	143,074	144,176	9,211	9,333	31,061	30,544	36,793	36,793

D2 Fair value measurement (continued)

	<i>Stormwater drainage</i>		<i>Other assets</i>		<i>Open space/recreational and other</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<i>\$ '000</i>								<i>Restated</i>
Opening balance	42,765	35,385	828	709	39,045	30,204	394,343	295,379
Purchases (GBV)	155	20	230	338	1,395	10,620	12,776	25,194
Disposals (WDV)	–	–	–	–	–	(108)	(2,233)	(1,415)
Depreciation and impairment	(766)	(571)	(258)	(219)	(2,041)	(1,671)	(8,835)	(7,341)
Other movement - Revaluation	–	7,931	–	–	1,798	–	1,798	82,526
Closing balance	42,154	42,765	800	828	40,197	39,045	397,850	394,343

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

D3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 203,866.08. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

The amount of past service contributions included in the total employer contribution advised above is \$131,400. Council's expected contribution to the plan for the next annual reporting period is \$191,221.20.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.33%

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

D3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

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

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

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

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

(iii) Costs order

Costs Order | Aussie Skips Recycling Pty Ltd v Strathfield Municipal Council [2020] NSWLEC 22 (**88K Proceedings**). The Court ordered that the Plaintiffs pay the Defendant's costs. Council, as the plaintiff in these proceedings, may reasonably expect to receive \$250,000 per the Costs Order as against the Plaintiffs in the Proceedings.

The 88K Proceedings were appealed to the NSW Supreme Court of Appeal (**NSWCA Proceedings**). Ultimately, the appeal in the NSWCA Proceedings was unsuccessful and their Honours Basten, Gleeson and Preston made the orders that the appellants pay the respondent's costs. Council, as the respondent in these proceedings, may reasonably expect to receive \$50,000 per the Costs Order as against the Plaintiffs in the Proceedings.

On 25 June 2019, Council and Aussie Skips entered into a heads of agreement reflecting the mediated agreement between the parties in Land and Environment Court Case Number 2018/328340 (**Class 4 Proceedings**).

Based on the further developments in the Class 4 Proceedings, it appears that it is likely to be resolved per the heads of agreement. Council may reasonably expect to receive, on a conservative basis, \$405,000 per the mediation agreement in the Class 4 Proceedings.

The amounts that the Council may expect to receive in the 88k Proceedings, NSWCA Proceedings and Class 4 Proceedings, will be the subject of an agreement or costs assessment.

E People and relationships

E1 Related party disclosures

E1 Key management personnel (KMP)

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

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

\$ '000	2021	<i>2020 Restated</i>
Compensation:		
Short-term benefits	1,407	1,425
Post-employment benefits	113	112
Other long-term benefits ¹	53	66
Total	1,573	1,603

(1) 2020 restated, Strathfield Council had reported the Long Service Leave balance as at 30 June 2020 and this has been correctly reported as the Long Service Leave being accrued during the year

Other transactions with KMP and their related parties

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

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	44	44
Councillors' fees	142	142
Other Councillors' expenses (including Mayor)	14	20
Total	200	206

E2 Other relationships

E2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	90	88
Remuneration for audit and other assurance services	90	88
Total Auditor-General remuneration	90	88
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal audit	113	68
Remuneration for audit and other assurance services	113	68
Total remuneration of non NSW Auditor-General audit firms	113	68
Total audit fees	203	156

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020 <i>Restated</i>
Net operating result from Income Statement	(324)	7,600
Adjust for non-cash items:		
Depreciation and amortisation	8,936	7,412
Net losses/(gains) on disposal of assets	1,799	1,139
Adoption of AASB 15/1058	-	(354)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	326	(1,688)
Increase/(decrease) in provision for impairment of receivables	(8)	8
Decrease/(increase) in inventories	10	6
Decrease/(increase) in other current assets	(80)	(98)
Increase/(decrease) in payables	(356)	627
Increase/(decrease) in other accrued expenses payable	575	(561)
Increase/(decrease) in other liabilities	1,569	241
Increase/(decrease) in contract liabilities	4,690	426
Increase/(decrease) in provision for employee benefits	493	444
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	17,630	15,202

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	-	875
Land Improvements	-	56
Infrastructure assets	970	360
Total commitments	970	1,291
These expenditures are payable as follows:		
Within the next year	970	1,291
Total payable	970	1,291
Sources for funding of capital commitments:		
Unrestricted general funds	-	171
Section 7.11 and 64 funds/reserves	-	1,120
Unexpended grants	970	-
Total sources of funding	970	1,291

Details of capital commitments

The council has committed to street tree planting, completion of cctv roll out, development of the Hudson District Park and completion of the renewal of building facilities in open spaces and also finishing road works commenced in 18/19.

F3-1 Events occurring after the reporting date

In or around June 2015, the former Roads and Maritime Services, now known as the Transport for NSW (**TfNSW**), proposed to acquire the Council owned Freehold area over Lot 51 in DP1267254; and the Stratum and Easement Area over Lot 52 in DP1267254, to construct a flyover over the Ismay Reserve at 19 Parramatta Road, Homebush.

On 4 August 2021, the TfNSW made an offer to acquire the:

Description	Amount (excl GST)
Freehold over Lot 51 and part of Lot 52 in DP1267254	1,231,000
Stratum over part of Lot 52 in DP1267254	161,000
Easement over part of Lot 50 in DP1267254	134,000
Total	1,526,000

On 13 August 2021, Strathfield Municipal Council accepted the above offer from TfNSW.

Currently, the TfNSW is in the process of arranging to gazette this compulsory acquisition transaction and finalise it under section 29 and 30 of the Land Acquisition Act (Just Terms Compensation) Act 1991.

F4 Changes from prior year statements

F4-1 Correction of errors

Nature of prior-period error

A further assessment of the asset registers was undertaken after the comprehensive revaluation (2019/20) of the infrastructure road asset class this financial year which identified assets that were incorrectly reported as at 30 June 2020. The assets identified were taken onto Council's asset register through a revaluation process. The ownership of these were not correctly identified and have since then been maintained within the registers. During the Infrastructure assets revaluation in 2020 and a peer review undertaken by Morrison Low, these were identified and hence demanding a need to rectify the error. The errors occurred before 1 July 2019.

The impact of prior years errors is as below:

Bridges assets - \$2,653,344
Road assets - \$461,581
Footpath assets - \$167,749
Bulk earthworks - \$28,490

These errors were corrected by restating the balances of Infrastructure, Property, Plant and Equipment and the Asset Revaluation Reserve at the beginning of the earliest comparative period, 1 July 2019. As a result, the opening balance for both items was decreased by \$3.311 million dollars (carrying value of assets) and \$41 thousand dollars (depreciation). A total overall impact of \$3.352 million dollars.

Depreciation expense for the 2019/20 financial year was also revised to account for the decrease in fair value of these asset classes.

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

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, Property, Plant & Equipment (IPPE)	378,364	(3,352)	375,012
Total non-current assets	378,586	(3,352)	375,234
Total assets	426,015	(6,704)	419,311
Revaluation reserves	202,266	(3,352)	198,914

continued on next page ...

F4-1 Correction of errors (continued)

<i>\$ '000</i>	<i>Original Balance 1 July, 2019</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2019</i>
Total equity	408,510	(3,352)	401,806

F4-1 Correction of errors (continued)

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

Statement of Financial Position

<i>\$ '000</i>	<i>Original Balance 30 June, 2020</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2020</i>
Non-current assets excluding receivables	474,781	(3,311)	471,470
Total assets	516,055	(3,311)	512,744
Total liabilities	17,814	–	17,814
Accumulated surplus	213,449	41	213,490
Revaluation reserves	284,792	(3,352)	281,440
Total equity	498,241	(3,311)	494,930

Income Statement

<i>\$ '000</i>	<i>Original Balance 30 June, 2020</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2020</i>
Depreciation & amortisation cost	7,453	(41)	7,412
Total expenses from continuing operations	43,461	(41)	43,420
Net operating result for the year before grants and contributions provided for capital purposes	(1,369)	41	(1,328)
Net operating result for the year	7,559	41	7,600

Statement of Comprehensive Income

<i>\$ '000</i>	<i>Original Balance 30 June, 2020</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2020</i>
Net operating result for the year	7,559	41	7,600
Total comprehensive income for the year	90,085	41	90,126

F4-2 Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council has revised the estimated useful life for road pavement asset class from maximum 100 years to 200 years. The financial impact of this change to the current year results is reduction in depreciation costs of \$0.435 million.

Nature and effect of changes in accounting estimates on future years

The change in the estimated useful life for road pavement asset class from 100 to 200 years will reduce the depreciation by 50 percent.

F5 Statement of developer contributions as at 30 June 2021

F5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Parking	415	–	–	2	–	–	417	–
Community facilities	(861)	163	–	–	(29)	–	(727)	–
Roads and traffic facilities	3,621	498	–	9	(1,856)	–	2,272	–
Major open space	(367)	700	–	–	(2,499)	–	(2,166)	–
Local open space	3,259	288	–	14	(86)	–	3,475	–
Administration	283	19	–	1	–	–	303	–
S7.11 contributions – under a plan	6,350	1,668	–	26	(4,470)	–	3,574	–
S7.12 levies – under a plan	5,132	1,368	–	25	–	–	6,525	–
Total S7.11 and S7.12 revenue under plans	11,482	3,036	–	51	(4,470)	–	10,099	–
S7.11 not under plans	870	–	–	3	–	–	873	–
Total contributions ¹	12,352	3,036	–	54	(4,470)	–	10,972	–

(1) Council has levied a total of \$13.74 million in capital contributions under section 7.11 & 7.12 during the financial year.

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

F5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN 2010 – DIRECT								
Community facilities	(861)	163	–	–	(29)	–	(727)	–
Administration	818	(516)	–	1	–	–	303	–
Roads and traffic facilities	2,789	498	–	6	(1,856)	–	1,437	–
Major open space	(911)	1,235	–	–	(2,499)	–	(2,175)	–
Local open space	3,259	288	–	14	(86)	–	3,475	–
Total	5,094	1,668	–	21	(4,470)	–	2,313	–
CONTRIBUTION PLAN 1993								
Parking	415	–	–	2	–	–	417	–
Roads and traffic facilities	832	–	–	3	–	–	835	–
Major open space	9	–	–	–	–	–	9	–
Total	1,256	–	–	5	–	–	1,261	–
S7.12 Levies – under a plan								
INDIRECT DEVELOPMENT CONTRIBUTIONS PLAN – 2010								
General levy	5,132	1,368	–	25	–	–	6,525	–
Total	5,132	1,368	–	25	–	–	6,525	–

F5-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTIONS – NOT UNDER A PLAN								
Parking	870	-	-	3	-	-	873	-
Total	870	-	-	3	-	-	873	-

F6 Statement of performance measures

F6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
			Restated		
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,732)	(8.71)%	(0.36)%	6.80%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	42,840				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	40,102	83.48%	76.71%	79.63%	> 60.00%
Total continuing operating revenue ¹	48,039				
3. Unrestricted current ratio					
Current assets less all external restrictions	24,561	3.32x	3.64x	3.24x	> 1.50x
Current liabilities less specific purpose liabilities	7,397				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,204	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,672	5.08%	3.37%	2.39%	< 5.00%
Rates and annual charges collectable	32,929				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	40,346	13.21	12.80	15.10	> 3.00
Monthly payments from cash flow of operating and financing activities	3,054	mths	mths	mths	mths

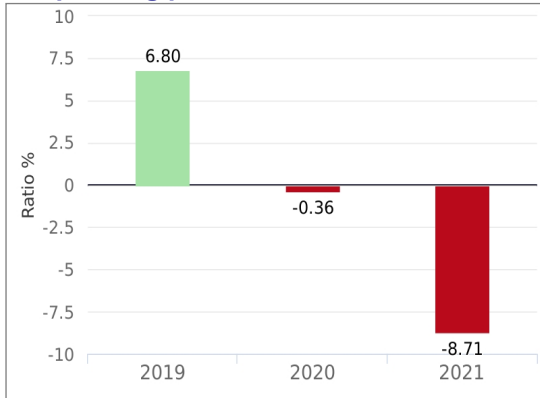
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (8.71)%

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions). The benchmark set by OLG is greater than zero per cent. The Council fell below the OLG benchmark for the current reporting period. This has been mainly due to the recognition of \$4.98m unspent grants as contract liability, reduced capital contributions from Section 7.11 & 12 and increases in depreciation costs and loss on disposal of assets.

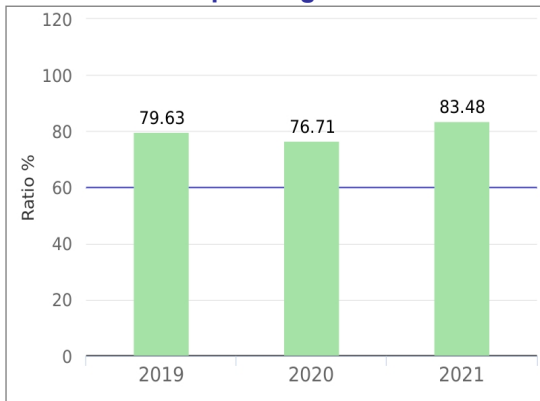
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 83.48%

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

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

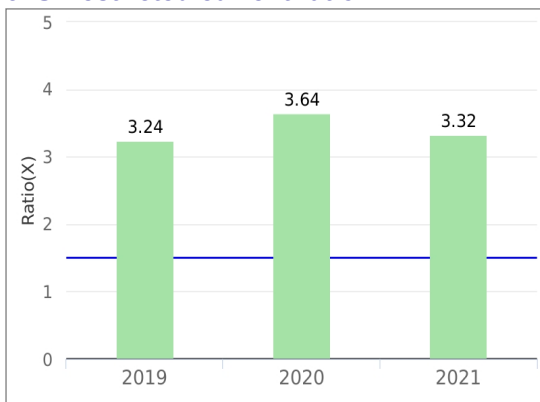
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.32x

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

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

Benchmark: — > 1.50x

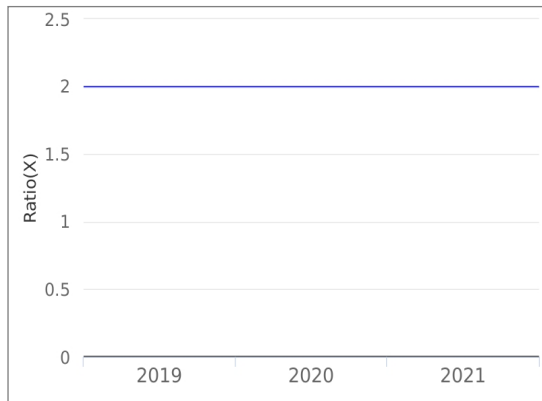
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio ∞

Council has no debt (borrowing) for 2020/21.

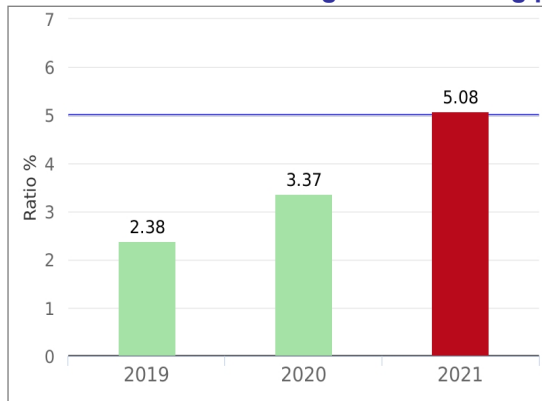
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 5.08%

The Council did not meet the OLG benchmark for the current reporting period. This was primarily due to the COVID-19 Legislative Amendment (Emergency Measures-Miscellaneous) Act No.2 to support councils and ratepayers during the COVID-19 pandemic. These amendments resulted into a moratorium (until 25 March 2021) on commencing any legal action to recover the outstanding rates and annual charges unless certain specific matters had been considered to identify and address any potential financial hardship.

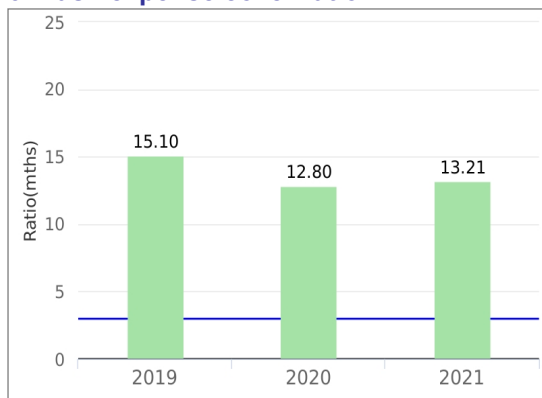
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 13.21 mths

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

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Council information and contact details

Principal place of business:

65 Homebush Rd
Strathfield NSW 2135

Contact details

Mailing Address:

PO Box 120
Strathfield NSW 2135

Telephone: (02) 9748 9999

Facsimile: (02) 9764 1034

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.strathfield.nsw.gov.au

Email: council@strathfield.nsw.gov.au

Officers

Chief Executive

Henry T Wong

Public Officer

Geoff Baker

Auditors

Audit Office NSW
Level 19, Darling Park Tower 2,
201 Sussex Street, Sydney NSW 2000

Elected members

Mayor

Stephanie Kokkolis

Councillors

Matthew Blackmore
Maryanne Duggan
Nella Hall
Antoine Doueihy
Karen Pensabene
Gulian Vaccari

Other information

ABN: 52 719 940 263

Strathfield Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

Strathfield Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Strathfield Municipal Council

To the Councillors of the Strathfield Municipal Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

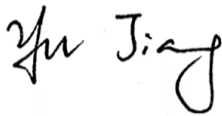
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Delegate of the Auditor-General for New South Wales

24 November 2021
SYDNEY



Ms Stephanie Kokkolis
Mayor
Strathfield Municipal Council
Po Box 120
STRATHFIELD NSW 2135

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: D2125730/ 1789

24 November 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Strathfield Municipal Council**

I have audited the general purpose financial statements (GPFS) of the Strathfield Municipal Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observation during my audit of the Council's financial statements. This issue and observation was addressed as part of my audit.

No formal procedures for capitalised indirect costs





Council capitalised certain costs such as salaries and wages through applying a fixed mark-up to most of the infrastructure projects. We identified there were no formal processes to record costs to capital projects in a timely manner.

We understand the Council does not have formal procedures governing the review of capitalisation of the direct and indirect costs to ensure they remain appropriate. This includes considering whether salaries of staff not directly involved in capital projects are considered as directly attributable costs under AASB 116 Property, Plant and Equipment. This may increase the risk of material misstatements in the financial statements.

We have reported this issue in our management letter since 2019 and it is yet to be resolved by management.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	31.8	31.1	 2.3
Grants and contributions revenue	7.9	11.9	 34
Operating result from continuing operations	(0.3)	7.6	 104
Net operating result before capital grants and contributions	(5.5)	(1.3)	 323

* The 2020 comparatives have been restated to correct a prior period error. Note F4-1 of the financial statements provides details of the prior period error.

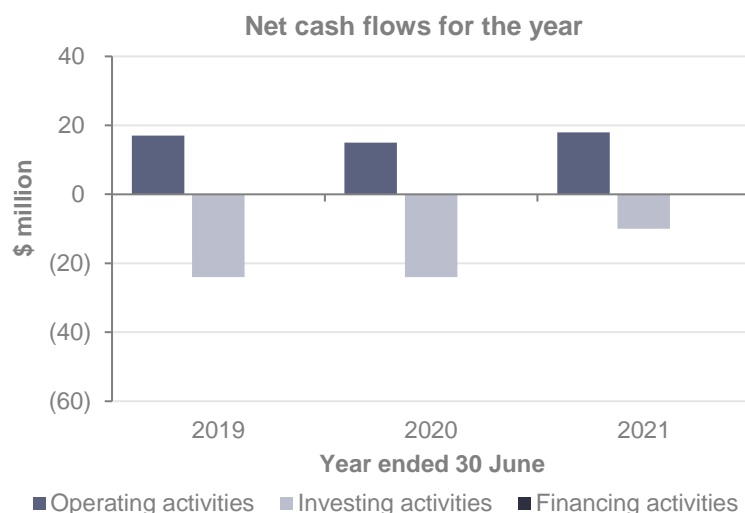
The Council's operating result from continuing operations (a deficit of \$0.3 million including depreciation and amortisation expense of \$8.9 million) was \$7.9 million lower than the 2019–20 result. This is mainly attributed by the:

- decrease in grants and contributions revenue of \$4.0 million (or 33.6 per cent) mainly due to lower developer contributions received during the year
- increase in employee related expense of \$2.3 million (or 12.2 per cent) due to lower capitalised salaries and wages, a higher workers compensation premium of \$0.6 million and an award increase of 1.5 per cent
- increase in depreciation and amortisation of \$1.5 million (or 20.6 per cent) primarily due to the upward revaluation of infrastructure assets in 2019-20
- slight increase in rates and annual charges revenue of \$0.7 million (or 2.3 per cent), which is in line with the allowable rating increase of 2.6 per cent set by IPART.

The net operating result before capital grants and contributions (\$5.5 million loss) was \$4.2 million lower than the 2019–20 result, which is mainly due to a lower net operating result, offset by lower capital grants.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$2.4 million from prior year. This is mainly due to higher other revenues received in the current year.
- Net cash used in investing activities decreased by \$14.4 million, mainly due to lower spend on purchases of Infrastructure, Property, Plant and Equipment (IPPE) and investments.
- Council does not have any cash flows from financing activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	40.3	36.7	<ul style="list-style-type: none"> • Externally restricted cash and investments increased by \$3.6 million, which was mainly due to the additional \$4.7 million specific purpose unexpended grants being received during the year, partially offset by the \$1.4 million decrease in developer contributions. • Internally restricted cash and investment increased by \$1.3 million primarily due to the additional deposits, retentions and bonds being received during the year.
Restricted cash and investments:			
• External restrictions	19.4	16.0	
• Internal restrictions	15.2	13.9	

PERFORMANCE

Performance measures

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

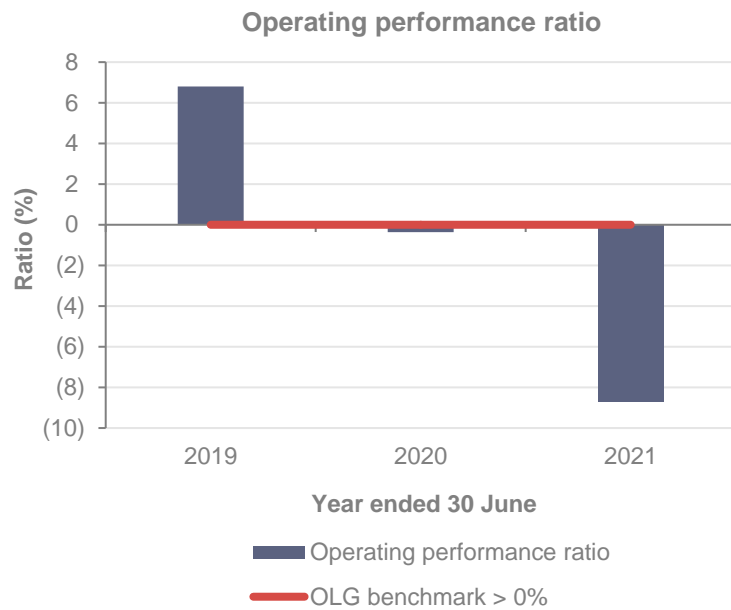
Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

The 2020 ratio was restated to correct a prior period error.

The decrease in the ratio is mainly due to increased expenditure and lower revenue in the current year. Council incurred additional cleaning costs due to COVID-19 pandemic and also received less developer contribution revenue in 2020-21.

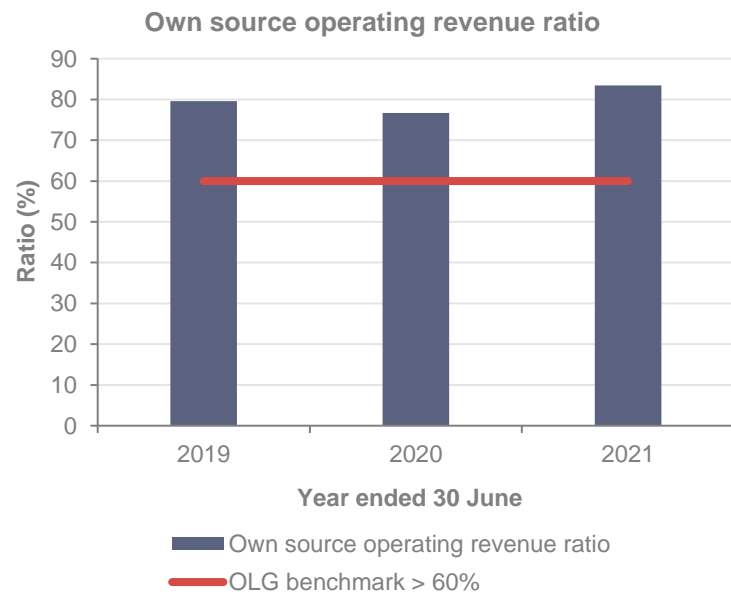


Own source operating revenue ratio

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

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

The ratio was 83.48 per cent in 2021, which is higher than prior year.

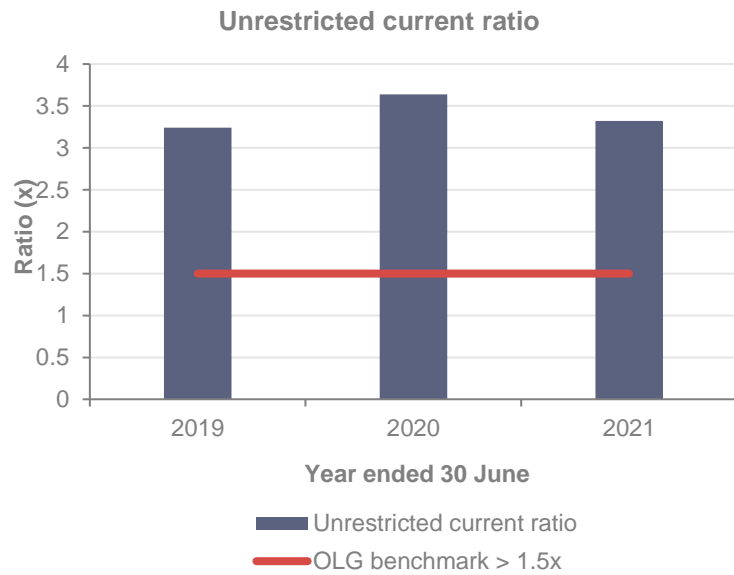


Unrestricted current ratio

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

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

The 2021 ratio indicates the Council had \$3.32 of unrestricted assets available to service every dollar of its unrestricted current liabilities.

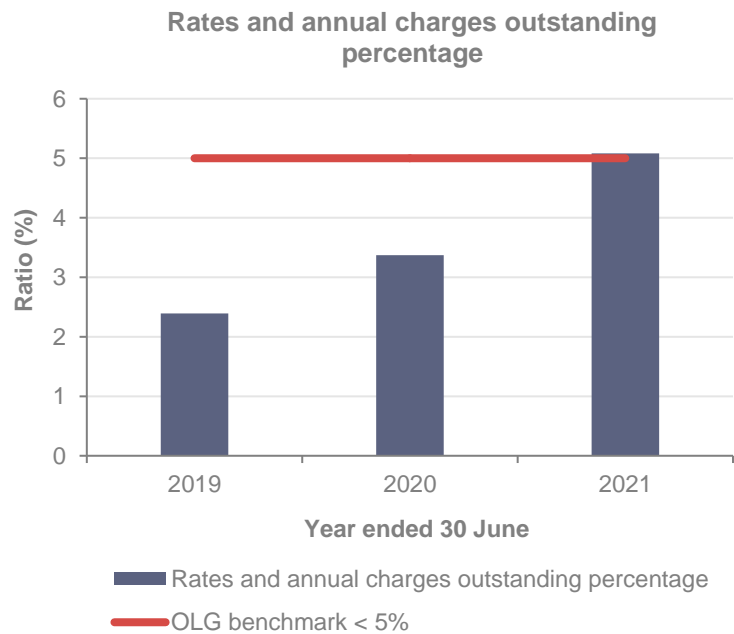


Rates and annual charges outstanding percentage

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

The Council did not meet the OLG benchmark for the current reporting period. Council's rates and annual charges outstanding ratio has increased from 3.37 per cent in 2020 to 5.08 per cent in 2021.

In response to the COVID-19 pandemic, Council has introduced a relief package to support the community, including a number of rates relief measures. The rates and annual charges receivable at year end increased by \$0.7 million.

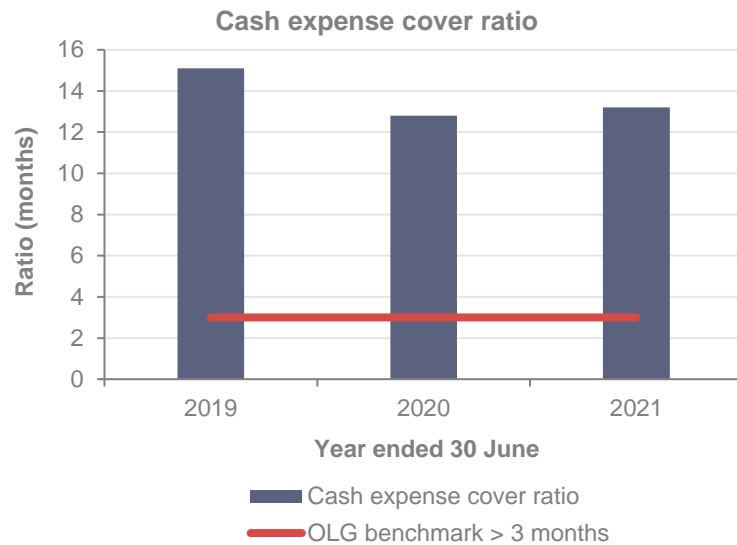


Cash expense cover ratio

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

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

The ratio indicates the Council holds enough cash to meet expenditure for the next 13.21 months without additional cash inflow.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in 2020–21 was \$6.6 million, a decrease of \$5.2 million from 2019–20. This is mainly due to the higher spending on open space and recreational assets to upgrade park and playground equipment in the prior year.

OTHER MATTERS

Legislative compliance

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

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

Reiky Jiang

Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Henry Wong, Chief Executive Officer
Mr Brian Hrnjak, Chair of Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Strathfield Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Strathfield Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Strathfield Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

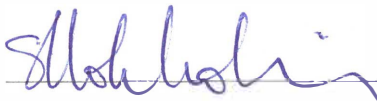
The attached Special Purpose Financial Statements have been prepared in accordance with:

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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



Stephanie Kokkolis

Mayor

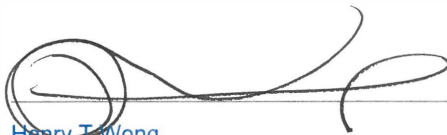
04 November 2021



Nella Hall

Councillor

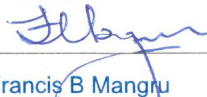
04 November 2021



Henry T Wong

Chief Executive

04 November 2021



Francis B Mangru

Chief Financial Officer

04 November 2021

Strathfield Municipal Council

Income Statement – Hudson Park Driving Range

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	1,705	969
Other income	–	39
Total income from continuing operations	1,705	1,008
Expenses from continuing operations		
Employee benefits and on-costs	816	590
Materials and services	186	141
Depreciation, amortisation and impairment	129	130
Other expenses	49	70
Total expenses from continuing operations	1,180	931
Surplus (deficit) from continuing operations before capital amounts	525	77
Surplus (deficit) from continuing operations after capital amounts	525	77
Surplus (deficit) from all operations before tax	525	77
Less: corporate taxation equivalent [based on result before capital]	(137)	(21)
Surplus (deficit) after tax	388	56
Plus accumulated surplus	3,441	3,364
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	137	21
Add:		
Less:		
Closing accumulated surplus	3,966	3,441
Return on capital %	13.5%	2.0%

Strathfield Municipal Council

Statement of Financial Position – Hudson Park Driving Range

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	802	258
Inventories	1	5
Total current assets	803	263
Non-current assets		
Infrastructure, property, plant and equipment	3,899	3,924
Total non-current assets	3,899	3,924
Total assets	4,702	4,187
LIABILITIES		
Current liabilities		
Payables	–	3
Employee benefit provisions	50	77
Total current liabilities	50	80
Total liabilities	50	80
Net assets	4,652	4,107
EQUITY		
Accumulated surplus	3,966	3,441
Revaluation reserves	687	671
Total equity	4,653	4,112

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

Hudson Park Golf Driving Range

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 – **27.5%**

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

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

Note – Significant Accounting Policies (continued)

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges 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

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

(iii) Dividends

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

Prior Period Adjustment

The prior year statements of Hudson Park Driving Range have been adjusted to correctly reflect the activities and its results. In the previous years, the asset revaluation reserve was used as the balancing item for the statement of financial position and this was not correct. All items of income statement and statement of financial position have a point of reference (sources) except cash and cash equivalent thus this was the ideal balancing item. The business activity does not control a separate bank account for its cash and investment.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Strathfield Municipal Council

To the Councillors of the Strathfield Municipal Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

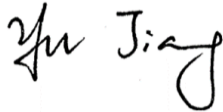
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang

Delegate of the Auditor-General for New South Wales

26 November 2021
SYDNEY

Strathfield Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Strathfield Municipal Council

Special Schedules

for the year ended 30 June 2021

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Strathfield Municipal Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	18,421	18,750
Plus or minus adjustments ²	b	261	35
Notional general income	c = a + b	18,682	18,785
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	486	376
Sub-total	k = (c + g + h + i + j)	19,168	19,161
Plus (or minus) last year's carry forward total	l	83	440
Less valuation objections claimed in the previous year	m	(2)	(24)
Sub-total	n = (l + m)	81	416
Total permissible income	o = k + n	19,249	19,577
Less notional general income yield	p	18,750	19,596
Catch-up or (excess) result	q = o - p	499	(20)
Plus income lost due to valuation objections claimed ⁴	r	24	33
Less unused catch-up ⁵	s	(83)	-
Carry forward to next year ⁶	t = q + r + s	440	13

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.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Strathfield Municipal Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Buildings	Council Offices/ Administration Centres	224	224	350	423	8,595	11,736	64.0%	34.0%	2.0%	0.0%	0.0%
	Council Works Depot	–	–	150	189	3,365	3,352	59.0%	13.0%	28.0%	0.0%	0.0%
	Council Public Halls	350	350	15	–	6,883	14,115	37.0%	35.0%	8.0%	1.0%	19.0%
	Strathfield Library	–	–	60	352	8,111	9,972	100.0%	0.0%	0.0%	0.0%	0.0%
	Cultural Facilities(Amenities)	500	500	174	–	10,876	14,392	65.0%	8.0%	19.0%	8.0%	0.0%
	Community Centre	42	42	42	307	3,978	6,065	0.0%	1.0%	97.0%	2.0%	0.0%
	Council House	95	95	10	27	1,116	2,438	41.0%	59.0%	0.0%	0.0%	0.0%
	Sub-total	1,211	1,211	801	1,298	42,924	62,070	56.4%	19.4%	17.6%	2.3%	4.3%
Roads	Sealed roads	–	–	488	198	94,804	120,180	25.0%	18.0%	57.0%	0.0%	0.0%
	Bridges	–	–	–	–	9,211	13,503	28.0%	5.0%	67.0%	0.0%	0.0%
	Footpaths	–	–	329	416	31,062	39,831	38.0%	43.0%	19.0%	0.0%	0.0%
	Other road assets	–	–	157	732	13,484	17,300	18.0%	75.0%	7.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	36,793	36,793	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	93	50	34,832	44,464	3.0%	96.0%	1.0%	0.0%	0.0%
	Other	–	–	–	–	(45)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,067	1,396	220,141	272,071	33.2%	35.0%	31.9%	0.0%	0.0%
Stormwater drainage	Stormwater Conduits	–	–	100	112	38,355	71,178	1.0%	17.0%	82.0%	0.0%	0.0%
	Stormwater Inlet & Junction Pits	–	–	61	–	3,798	6,832	0.0%	55.0%	45.0%	0.0%	0.0%
	Sub-total	–	–	161	112	42,153	78,010	0.9%	20.3%	78.8%	0.0%	0.0%
Open space / recreational assets	Open spaces/Recreational Assets	150	150	960	1,646	40,198	54,429	59.5%	15.7%	23.2%	1.6%	0.0%
	Sub-total	150	150	960	1,646	40,198	54,429	59.5%	15.7%	23.2%	1.6%	0.0%
Total – all assets		1,361	1,361	2,989	4,452	345,416	466,580	33.9%	28.2%	36.8%	0.5%	0.6%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required

continued on next page ...

Strathfield Municipal Council

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

3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Strathfield Municipal Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020 <i>Restated</i>	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	7,308	114.65%	239.08%	320.80%	>= 100.00%
Depreciation, amortisation and impairment	6,374				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	1,361	0.39%	0.58%	0.25%	< 2.00%
Net carrying amount of infrastructure assets	348,214				
Asset maintenance ratio					
Actual asset maintenance	4,452	148.95%	81.12%	100.20%	> 100.00%
Required asset maintenance	2,989				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,361	0.29%	0.43%	0.18%	
Gross replacement cost	466,580				

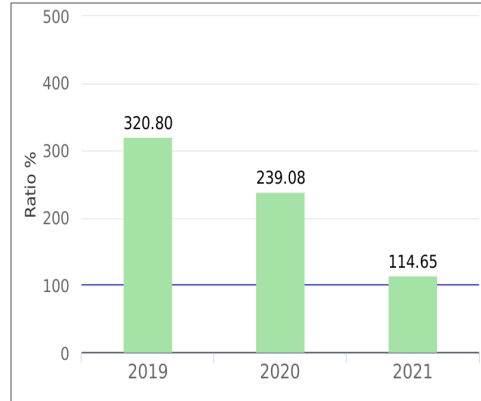
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Strathfield Municipal Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 114.65%

Asset renewals was again focused on roads, footpaths and open space recreational assets. The renewal is still playing catch up for past years of low or nil expenditure.

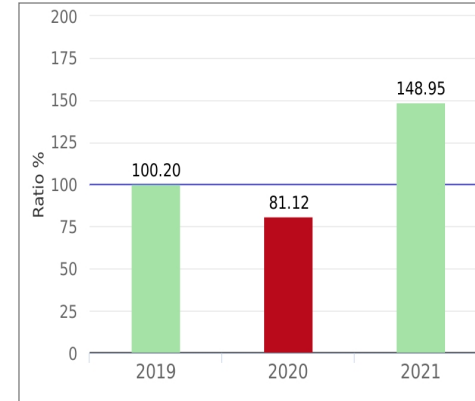
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 148.95%

Council has met the benchmark as it aims to ensure no asset becomes impaired or does not meet service levels agreed on.

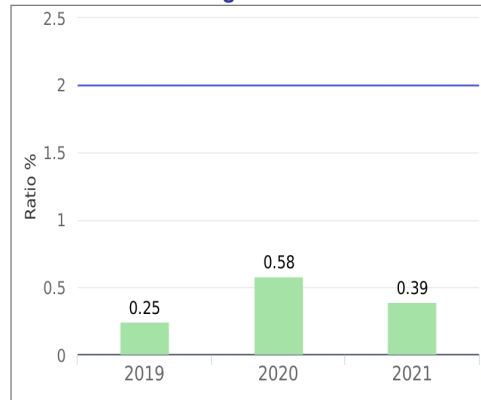
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 0.39%

Continuing on from last year, Council focused on assets which did not meet the agreed service levels.

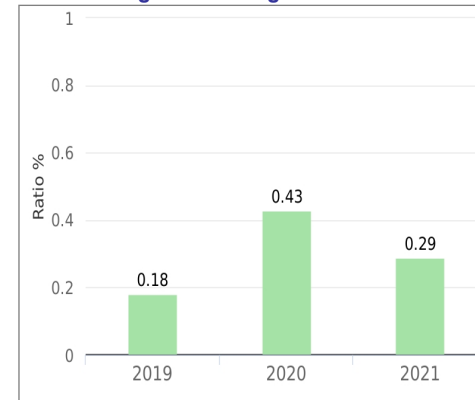
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 0.29%

Annual maintenance was in conformance with the adopted budget.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Strathfield Municipal Council

To the Councillors of Strathfield Municipal Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

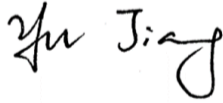
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang

Delegate of the Auditor-General for New South Wales

24 November 2021
SYDNEY