

# Financial Statements

1 July 2020 to 30 June 2021



northern  
beaches  
council



## Northern Beaches Council

# Financial Commentary 2020/21

## Introduction

This commentary provides the highlights of Council's 2020/21 Financial Statements. The Financial Statements provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993, and the NSW Local Government Code of Accounting Practice and Financial Reporting (Dec 2020).

The Financial Statements comprise:

- General Purpose Financial Statements
- Special Schedules

The Financial Statements are independently audited by the Auditor General, reported to Council, placed on public exhibition and lodged with the Office of Local Government.

## Summary results 2020/21

### Income Statement for the year ended 30 June 2021

Total income from continuing operations	\$365.8m
Total expenses from continuing operations	\$365.7m
<b>Net operating result for the year</b>	<b>\$0.1m</b>
<b>Net operating result for the year before capital grants and contributions</b>	<b>(\$26.5m)</b>

### Capital Expenditure for the year ended 30 June 2021

New capital works	\$33.8m
Capital renewal works	\$39.3m
Non-cash asset dedications	\$0.8m
<b>Total capital expenditure</b>	<b>\$73.9m</b>

### Financial Position as at 30 June 2021

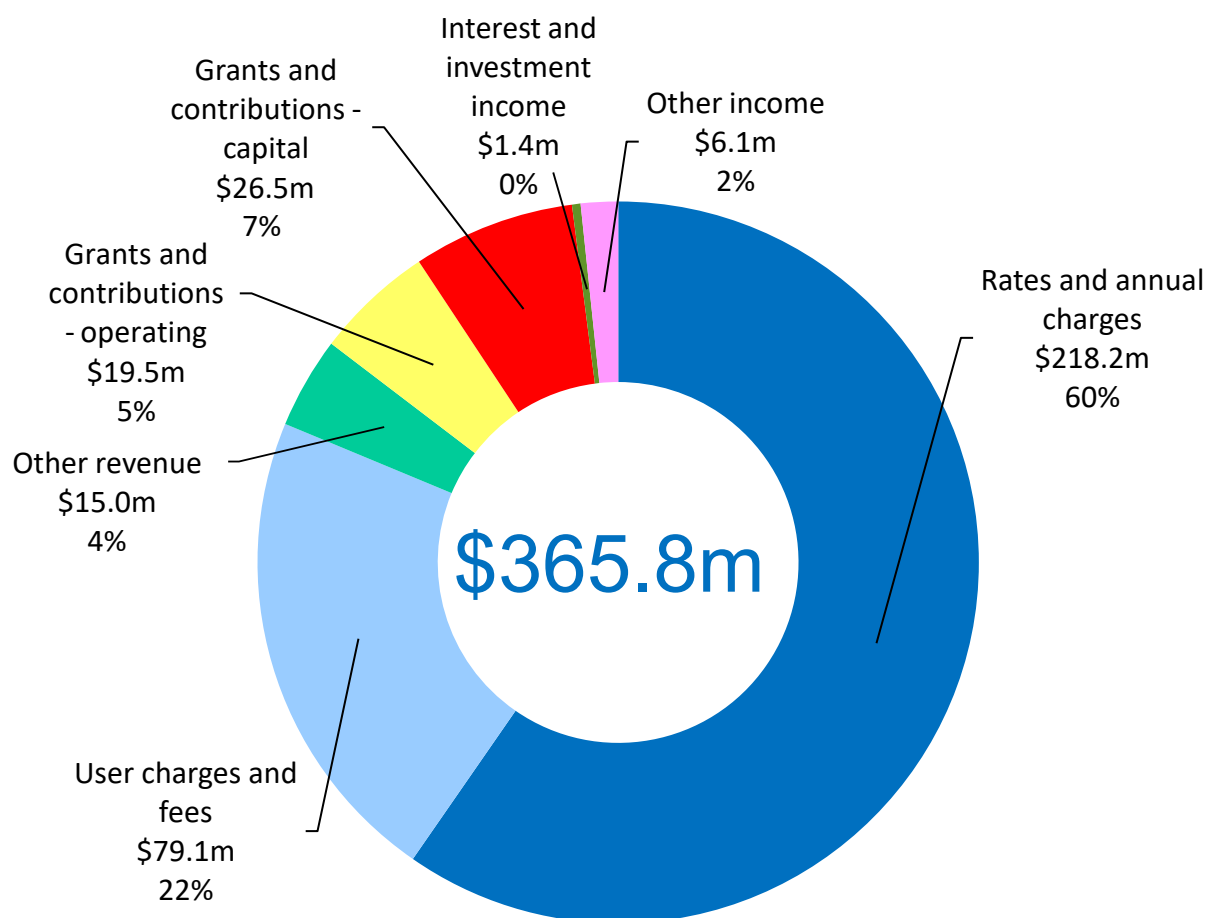
Total assets	\$5,245.2m
Total liabilities	\$198.6m
<b>Net assets</b>	<b>\$5,046.6m</b>

### Performance indicators 2020/21

Operating performance	X	(7.32)%
Unrestricted current ratio	✓	1.69x
Building and infrastructure renewals ratio	✓	117.2%

## Northern Beaches Council

### Income from continuing operations



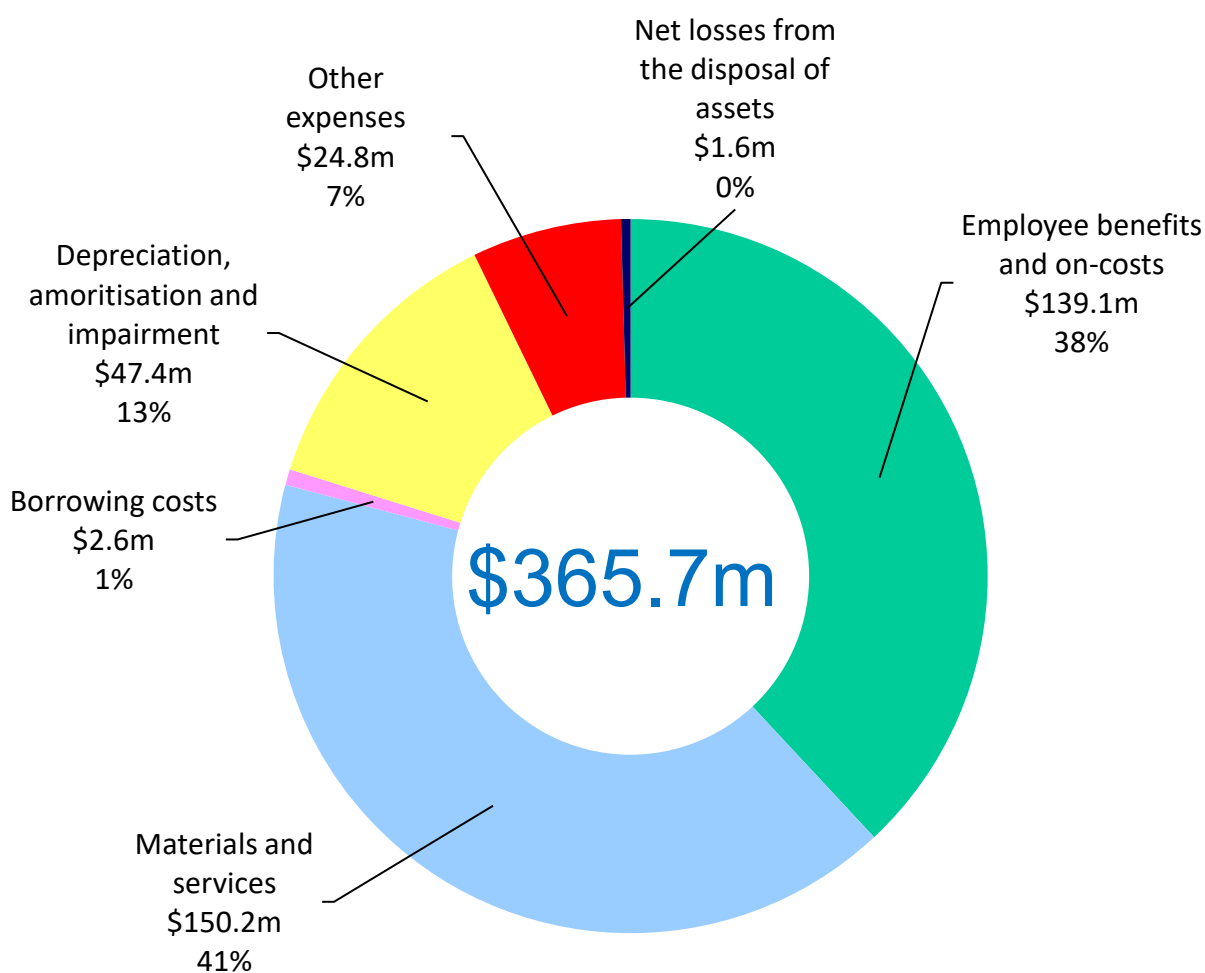
<b>Income Items</b>	<b>1 July 2020 - 30 June 2021 (\$'000)</b>
Rates and annual charges	218,169
User charges and fees	79,105
Other revenue	14,994
Grants and contributions - operating	19,460
Grants and contributions - capital	26,544
Interest and investment income	1,430
Other income	6,087
<b>Total Income from Continuing Operations</b>	<b>365,789</b>

## Northern Beaches Council

## Income from continuing operations analysis

2021 \$'000	2020 \$'000	Incr/(Decr) \$'000	%	Details
218,169	208,594	9,575	4.6%	<b>Rates and annual charges</b>
Rates were \$171.4m and total Annual Charges were \$46.8m. Annual Charges for the period are predominantly represented by domestic waste charges \$46.3m. Income from rates increased by \$4.7m (2.8%). Income from domestic waste charges increased by \$4.9m (12%). The 2019/20 domestic waste charge included a greater offset from surplus funds from the waste reserve (\$3.7m) compared to 2020/21 (\$2m).				
79,105	74,512	4,593	6.2%	<b>User charges and fees</b>
Major items include Kimbriki Waste & Recycling Centre fees \$24.0m (\$0.4m increase on the prior year), child care \$12m, parking fees \$11.4m, aquatic centres \$7.4m, planning fees \$7.7m and \$4.2m from the caravan park. COVID-19 significantly impacted this income in 2019/20 and 2020/21 as a result of closed services and less demand for others. Major variances to 2019/20 results included decreases in the caravan park (\$0.6m) and Glen Street Theatre (\$0.6m) with increases in planning fees \$1.3m, aquatic centres \$0.8m and golf course fees \$0.412m. Child care fees were higher in 2020/21 by \$2.4m primarily due to government grants supplementing fees during the 'fee free' period in 2019/20.				
14,994	17,544	(2,550)	-14.5%	<b>Other revenue</b>
Other Revenues included \$2.9m raised through the Kimbriki Waste & Recycling Centre (\$0.6m increase on prior year). Major items include \$4.5m in parking fines, \$0.6m in advertising income and \$0.6m from the Container Deposit Scheme. The COVID-19 pandemic has impacted other revenues including a reduction compared to the prior year in parking fines (\$1.8m), advertising (\$0.3m) and market hire (\$0.2m).				
19,460	20,230	(770)	-3.8%	<b>Grants and contributions - operating</b>
Significant items in 2020/21 included:				
- \$7.9m Financial Assistance Grant		- \$0.9m NSW RFS Local Government grants		
- \$2.8m Children's services incl 'free preschool' funds		- \$0.8m Natural disaster funds (Feb 2017 and Nov 2019 storms)		
- \$1.4m Emergency services levy contribution				
26,544	35,194	(8,650)	-24.6%	<b>Grants and contributions - capital</b>
Income is lower than the prior year primarily due to a non-cash dedication of B-Line car park and amenities assets in the 2019/20 financial year (\$11.8m). Significant items in 2020/21 include:				
- \$8.1m Development contributions				
- \$5.2m Stronger Communities Fund grants including Mona Vale and Long Reef surf clubs and Currawong				
- \$3.0m Local Roads and Community Infrastructure grants				
1,430	4,300	(2,870)	-66.7%	<b>Interest and investment income</b>
Interest and investment income was lower than the previous financial year as a result of decreased interest rates and lower cash on hand. Council's investment portfolio performed strongly over the financial period returning an average of 0.74%, compared to the bank bill benchmark return of 0.34%. Interest income from outstanding rates and annual charges was \$0.2m lower than the previous year as no interest was charged from 1 July 2020 to 31 December 2020.				
6,087	5,575	512	9.2%	<b>Other income</b>
Other income refers to rent from leases. The 2020/21 financial year includes extra income from golf club leases and commercial properties.				
-	6	(6)	-100.0%	<b>Net gains from the disposal of assets</b>
The net result in 2020/21 was a loss of (\$1.6m) - refer to the commentary on expenses below. In 2019/20 disposals resulted in a net gain primarily due to a land swap transaction at Fern Creek in Warriewood for \$1.181m (less \$1.413m asset book value) and the sale of a road reserve at Whale Beach for \$0.100m.				
365,789	365,955	(166)	0.0%	<b>TOTAL INCOME</b>

## Northern Beaches Council

**Expenses from continuing operations**

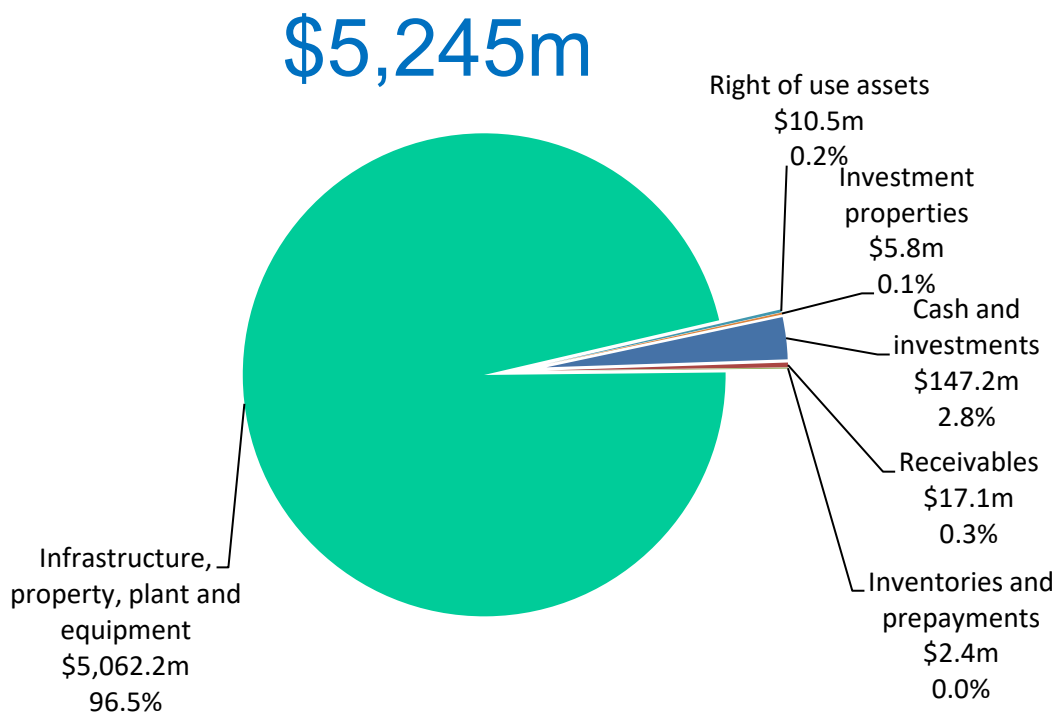
<b>Expense Items</b>	<b>1 July 2020 - 30 June 2021 (\$'000)</b>
Employee benefits and on-costs	139,118
Materials and services	150,209
Borrowing costs	2,605
Depreciation, amortisation and impairment	47,406
Other expenses	24,781
Net losses from the disposal of assets	1,579
<b>Total Expenses from Continuing Operations</b>	<b>365,698</b>

## Northern Beaches Council

## Expenses from continuing operations analysis

2021	2020	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
<b>139,118</b>	<b>135,555</b>	<b>3,563</b>	<b>2.6%</b>	<b>Employee benefits and on-costs</b>
Employee Benefits and On-Costs were \$139.1m, representing 38% of Council's Total Expenses from Continuing Operations. The increase on the prior year was \$3.6m (2.6%). However when Agency Personnel expenses are included (\$2.8m which are categorised Materials and Services), the total cost was \$141.9m, which was \$2.0m higher than the previous year (1.4%). The Local Government Award increase was 1.5%.				
<b>150,209</b>	<b>146,283</b>	<b>3,926</b>	<b>2.7%</b>	<b>Materials and services</b>
Materials and Services included \$15.9m in waste disposal costs, \$16.4m in waste collection costs and \$14.5m in expenses at the Kimbriki Waste & Recycling Centre. Larger variances compared to the prior year included: - Legal fees - Following mediation before the Hon Keith Mason AC QC, the dispute between Built Athas and Northern Beaches Council relating to the development of Manly Council's Whistler Street Car Park has been resolved by the parties, without admission of liability by any party, on terms that Council pay to Built Athas \$6,750,000 in full and final settlement of all matters in dispute. The terms of the settlement are otherwise confidential. - IT and communications - \$4.2m higher primarily due to the implementation of the new HR and payroll system and COVID related expenses to support business continuity. - Agency costs - (\$1.6m) lower than 2019/20 - External roadwork - (\$3.9m) lower as the 2019/20 year included an extra \$3.0m for the LED streetlighting replacement project - Tree works - (\$2.2m) lower than the prior year which included storm clean up costs.				
<b>2,605</b>	<b>2,947</b>	<b>(342)</b>	<b>-11.6%</b>	<b>Borrowing costs</b>
Borrowing Costs consist of interest on loans of \$1.1m, \$0.3m interest on leases and the amortisation of discounts for remediation liabilities for the Kimbriki Waste Landfill \$1.2m. The lower costs in comparison to 2019/20 were due to lower interest rates on variable loans and the reduced principal owing on loans.				
<b>47,406</b>	<b>43,546</b>	<b>3,860</b>	<b>8.9%</b>	<b>Depreciation, amortisation and impairment</b>
Increased depreciation was associated with the creation of new assets and renewal of a significant number of assets over the past 12 months including site development works at Kimbriki, IT infrastructure, new transport assets and building assets. Further, a recent International Financial Reporting Standards Interpretations Committee (IFRIC) decision has changed the way the implementation of 'software as a service' is accounted for, resulting in a once-off additional depreciation expense of \$0.9m.				
<b>24,781</b>	<b>18,975</b>	<b>5,806</b>	<b>30.6%</b>	<b>Other expenses</b>
Major items within Other Expenses include \$8.1m in donations, contributions and assistance to other organisations, \$8.0m Waste Levy and \$7.4m Emergency Services Levy (\$1.2m higher than 2019/20). This included \$6.8m in business and community support due to the COVID-19 pandemic (compared to \$1.5m in 2019/20). The 2019/20 year also included a \$1m contribution to the Barrenjoey High School performance space project (Stronger Communities Fund).				
<b>1,579</b>	<b>-</b>	<b>1,579</b>	<b>n/a</b>	<b>Net losses from the disposal of assets</b>
The net loss included a loss on the replacement infrastructure assets (\$3.0m), gain on disposal of plant and equipment \$1.4m and a gain on the disposal of property \$0.1m. The property transaction related to the sale of land adjacent to Wakehurst Parkway Oxford Falls for \$0.26m. Refer to the commentary under income above for the 2019/20 results.				
<b>365,698</b>	<b>347,306</b>	<b>18,392</b>	<b>5.3%</b>	<b>TOTAL EXPENSES</b>

## Northern Beaches Council

**Assets**

Asset Items	30 June 2021 Actual (\$'000)
<b>Current Assets</b>	
Cash and cash equivalents	10,661
Investments	135,751
Receivables	15,993
Inventories	378
Prepayments	2,028
<b>Total Current Assets</b>	<b>164,811</b>
<b>Non Current Assets</b>	
Investments	826
Receivables	1,087
Infrastructure, property, plant and equipment	5,062,151
Investment properties	5,835
Right of use assets	10,475
Prepayments	-
<b>Total Non Current Assets</b>	<b>5,080,374</b>
<b>TOTAL ASSETS</b>	<b>5,245,185</b>

## Northern Beaches Council

## Assets analysis

30-Jun-21 \$'000	30-Jun-20 \$'000	Incr/(Decr)		Details
		\$'000	%	
147,238	154,289	(7,051)	-4.6%	Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments totalled \$147.2m as at 30 June 2021. This represents a decrease of \$7.1m from the 2019/20 balance. This is principally due to the delivery of projects funded through large grants including the Stronger Communities Fund, settlement of the Whistler Street Car Park matter (refer to the Expenses Analysis), the impact of the COVID-19 pandemic and returning surplus funds from the domestic waste reserve to customers through lower fees. This was partially offset by a large number of grants received in May and June 2021 for future projects.

17,080	16,557	523	3.2%	Receivables
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Receivables were \$0.5 million higher than the previous year primarily due to the timing of payments for user charges and fees and government grants.

378	403	(25)	-6.2%	Inventories
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Inventories comprise stores, materials and trading stock and were consistent with the prior year.

2,028	1,576	452	28.7%	Prepayments
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Prepaid expenses were higher than the previous financial year as \$0.4m in insurance costs for Kimbriki were prepaid in June 2021.

5,062,151	5,072,703	(10,552)	-0.2%	Infrastructure, property, plant and equipment
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During the financial year a full revaluation of buildings and operational land was undertaken, resulting in a \$10.8m increase in the carrying value of the Buildings asset class and a (\$49.8m) decrease in the value of the Operational Land asset class. The decrease in the value of Operational Land reflects changes in land parcel features including new easements, land subdivisions and consolidations. This movement in the value is held in equity within the IPP&E revaluation reserve.

## Summary - Comprehensive Asset Revaluation 2020/21

		Prior to Revaluation \$'000	After Revaluation \$'000	Movement	
				\$'000	%
Buildings	Gross Carrying Amount	662,908	688,071	25,163	
	Accumulated Depreciation	(173,611)	(187,934)	(14,323)	
	<b>Total carrying value</b>	<b>489,297</b>	<b>500,137</b>	<b>10,840</b>	<b>2.2%</b>
Operational land	Gross Carrying Amount	433,348	383,584	(49,764)	
	Accumulated Depreciation	-	-	-	
	<b>Total carrying value</b>	<b>433,348</b>	<b>383,584</b>	<b>(49,764)</b>	<b>(11.5%)</b>
<b>Total</b>	<b>922,645</b>	<b>883,721</b>	<b>(38,924)</b>	<b>(4.2%)</b>	

5,835	5,835	-	0.0%	Investment properties
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Council holds three investment properties located at Sydney Road Balgowlah, Condamine Street Balgowlah and Pittwater Road Brookvale. Professional property valuations are undertaken annually. There was no change in the value this year for these commercial properties.

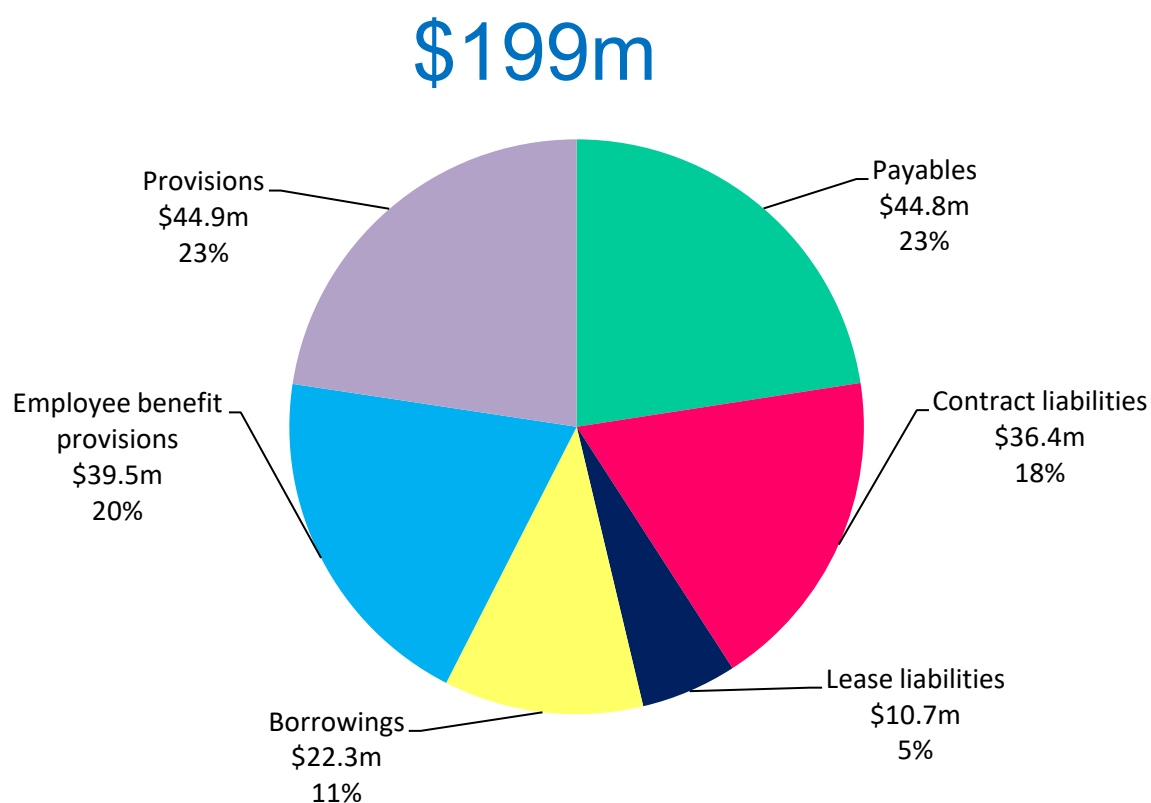
10,475	11,289	(814)	-7.2%	Right of use assets
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Right of use plant and equipment assets were (\$1.2m) lower and office and IT equipment assets were (\$0.1m) lower due to scheduled lease payments under these contracts. This was offset by an increase in buildings of \$0.5m due to the Dee Why Children's Centre contract renewal.

5,245,185	5,262,652	(17,467)	-0.3%	TOTAL ASSETS
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## Northern Beaches Council

**Liabilities**

	30 June 2021
Liability Items	Actual (\$'000)
<b>Current Liabilities</b>	
Payables	44,606
Contract liabilities	26,546
Lease liabilities	1,269
Borrowings	5,033
Employee benefit provisions	37,044
Provisions	762
<b>Total Current Liabilities</b>	<b>115,260</b>
<b>Non-Current Liabilities</b>	
Payables	200
Contract liabilities	9,815
Lease liabilities	9,474
Borrowings	17,293
Employee benefit provisions	2,432
Provisions	44,150
<b>Total Non-Current Liabilities</b>	<b>83,364</b>
<b>TOTAL Liabilities</b>	<b>198,624</b>

## Northern Beaches Council

## Liabilities analysis

30-Jun-21 \$'000	30-Jun-20 \$'000	Incr/(Decr) \$'000	%	Details
44,806	40,305	4,501	11.2%	Payables

The principal components of the balance in 2020/21 are security deposits and retentions of \$18.3m, accrued expenses including borrowings, salaries and wages and other expenditure accruals of \$15.6m and invoices payable of \$8.1m. The increase in payables compared to the prior financial year was primarily due to the timing of the payroll payrun, with salaries and wages accrued expenses \$2.6 million higher.

36,361	22,362	13,999	62.6%	Contract liabilities
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Contract liabilities totalled \$36.4m as at 30 June 2021, a \$14.0m increase on the 2019/20 balance of \$22.4m. A large number of grants were received in May and June 2021 for future works including \$4.6m for the Frenchs Forest Precinct Support Scheme, with grant related contract liabilities \$13.0m higher than the prior year while user fees and charges received in advance were \$1.0m higher.

10,743	11,441	(698)	-6.1%	Lease liabilities
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Lease liabilities totalled \$10.7m as at 30 June 2021, a \$0.698m decrease on the 2019/20 balance of \$11.4m. The balance is primarily related to Council's waste collection contract with \$9.9m of the balance related to the vehicle component of the contract. The reduction related to \$1.2m in contract payments, partially offset by an increase of \$0.5m following the renewal of the lease for the Dee Why Children's Centre.

22,326	27,456	(5,130)	-18.7%	Borrowings
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Borrowings continue to decrease due to the ongoing repayment of existing loans.

39,476	37,540	1,936	5.2%	Employee benefit provisions
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Employee leave entitlements increased \$1.9m due to increases in pay and a reduction in leave taken due to COVID-19. Management encourages staff to take annual leave at regular intervals and reviews balances in excess of eight weeks. Council will take appropriate steps to support the expected increase in leave requests as COVID restrictions ease while maintaining service levels.

44,912	37,999	6,913	18.2%	Provisions
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Provisions comprise workers compensation self insurance (\$3.8m) and landfill remediation (\$41.1m). Following a desktop review of the remediation provision, the provision was increased by \$5.8m, while the self insurance provision increased \$1.1m to provide for future claims.

198,624	177,103	21,521	12.2%	TOTAL LIABILITIES
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## Northern Beaches Council

## Key performance indicators

	2021	
<b>Financial performance indicators</b>		
Operating performance	(7.32%)	X
Own source operating revenue ratio	87.42%	✓
Unrestricted current ratio	1.69x	✓
Debt service cover ratio	2.81x	✓
Rates and annual charges outstanding percentage	3.92%	✓
Cash expense cover ratio	5.20 months	✓
<b>Infrastructure asset performance indicators</b>		
Buildings and infrastructure renewals ratio	117.21%	✓
Infrastructure backlog ratio	1.50%	✓
Asset maintenance ratio	106.52%	✓
Cost to bring assets to agreed service level	1.25%	n/a

✓ indicates performance indicator has achieved the Office of Local Government benchmark

	2021	2020	2019	Benchmark	Details
	X (7.32)%	X -4.93%	✓ 2.89%	>0	<b>Operating performance</b>
Purpose:	Measures Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded. The benchmark is greater than 0%.				
Commentary:	The COVID-19 pandemic has impacted revenue streams for services and resulted in additional costs to support the community and businesses. The \$6.75m settlement of the Whistler Street Car Park matter and the \$3.1m in additional operating expenses due to a change in the accounting method for software implementation costs further impacted results in 2020/21 along with the planned release of surplus funds from the waste reserve through lower waste charges (\$2m). If these items are removed from the ratio the result would meet the benchmark at 1.4%.				
	✓ 87.42%	✓ 84.85%	✓ 90.64%	>60%	<b>Own source operating revenue ratio</b>
Purpose:	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.				
Commentary:	Council's Own Source Operating Revenue indicator is well above the benchmark of 60% highlighting Council's financial flexibility.				



## Northern Beaches Council

## Key performance indicators (continued)

2021	2020	2019	Benchmark	Details
✓ 1.69x	✓ 2.09x	✓ 2.65x	>1.5x	<b>Unrestricted current ratio</b>
Purpose:	The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 7.11 developer contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5.			
Commentary: Cash and investment balances have reduced as funds are utilised in the delivery of the capital works program and responding to the COVID-19 pandemic. However, the ratio remains above the benchmark, indicating that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external and internal restrictions.				
✓ 2.81x	✓ 3.72x	✓ 6.40x	>2x	<b>Debt service cover ratio</b>
Purpose:	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.			
Commentary: Council's Debt Service Cover Ratio of 2.81 is above the benchmark of 2. This ratio has decreased over the last two years due to a reduction in the operating result.				
✓ 3.92%	✓ 4.12%	✓ 3.67%	<5%	<b>Rates and annual charges outstanding %</b>
Purpose:	The purpose of this ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.			
Commentary: Council maintains low levels of outstanding rates and annual charges particularly given that it may allow aged pensioners, where in its opinion payment would cause hardship, to accrue rates and charges against their estate. The ratio remains higher than pre-COVID levels in 2018/19 due to additional payment arrangements to support customers facing financial hardship due to the COVID-19 pandemic.				
✓ 5.20 months	✓ 5.39 months	✓ 7.53 months	>3 months	<b>Cash expense cover ratio</b>
Purpose:	This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.			
Commentary: Council's ratio of 5.20 months is within the benchmark of greater than 3 months.				
✓ 117.21%	✓ 121.34%	✓ 139.09%	>100%	<b>Buildings and infrastructure renewals ratio</b>
Purpose:	To assess the rate at which these assets are being renewed against the rate at which they are depreciating.			
Commentary: Council's ratio of 117.21% is above the benchmark of 100% and represents the timing of the completion of projects and the Council's recent investment in the renewal of infrastructure assets.				

## Northern Beaches Council

## Key performance indicators (continued)

2021	2020	2019	Benchmark	Details
✓ <b>1.50%</b>	✓ 1.37%	✓ 1.32%	<b>&lt;2%</b>	<b>Infrastructure backlog ratio</b>
Purpose:	This ratio shows what proportion the backlog is against the total value of Council's infrastructure.			
Commentary: Council's Infrastructure Backlog Indicator is 1.50% which is below the benchmark of 2% indicating that Council does not have a comparatively significant infrastructure backlog. The marginal increase in this ratio is largely due to efforts to improve asset condition data and the impact of the buildings revaluation on the value of these assets.				
✓ <b>106.52%</b>	✓ 107.92%	✓ 115.45%	<b>&gt;100%</b>	<b>Asset maintenance ratio</b>
Purpose:	This ratio compares actual versus required annual asset maintenance. A ratio of above 100% indicates that the Council is investing enough funds within the year to stop the infrastructure backlog from growing. The benchmark is greater than 100%.			
Commentary: Council's Asset Maintenance Ratio of 106.52% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.				
<b>1.25%</b>	1.15%	1.10%	<b>n/a</b>	<b>Cost to bring assets to agreed service level</b>
Purpose:	To provide a meaningful snapshot of the proportion of outstanding renewal works compared to the total gross replacement cost of assets under Council's care and stewardship. Outstanding renewal works relate to the value of work required for assets that have reached the intervention level set by Council based on the condition of the asset. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is considered to be more reflective of Council's infrastructure 'backlog'.			
Commentary: Council's ratio of 1.25% indicates the cost to bring assets to agreed service levels are at a financially sustainable level.				

# Northern Beaches Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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*Partnering with the community to  
protect, improve and create our future*



northern  
beaches  
council



# Northern Beaches Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

Northern Beaches Council is constituted under the Local Government Act 1993 (NSW).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All media releases, financial statements and other information are publicly available on our website: [www.northernbeaches.nsw.gov.au](http://www.northernbeaches.nsw.gov.au).

#### PRINCIPAL PLACE OF BUSINESS

725 Pittwater Road  
Dee Why NSW 2099

#### OPENING HOURS

Monday to Friday  
8.30am - 5.00pm

#### CONTACT DETAILS

##### Mailing Address:

PO Box 82  
Manly NSW 1655

**Telephone:** 1300 434 434

**Internet:** [www.northernbeaches.nsw.gov.au](http://www.northernbeaches.nsw.gov.au)

**Email:** [council@northernbeaches.nsw.gov.au](mailto:council@northernbeaches.nsw.gov.au)

#### OTHER INFORMATION

ABN: 57 284 295 198

#### AUDITORS

Audit Office of New South Wales

## Northern Beaches Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 September 2021.



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Michael Regan  
Mayor  
28 September 2021



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Sarah Grattan  
Councillor  
28 September 2021



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Ray Brownlee  
Chief Executive Officer  
28 September 2021



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David Walsh  
Responsible Accounting Officer  
28 September 2021

## Northern Beaches Council

## Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
<b>2021</b>	<b>\$ '000</b>		Notes	<b>2021</b>	<b>2020 *</b>
		<b>Income from continuing operations</b>			
218,106		Rates and annual charges	B2-1	<b>218,169</b>	208,594
77,954		User charges and fees	B2-2	<b>79,105</b>	74,512
25,256		Other revenue	B2-3	<b>14,994</b>	17,544
15,573		Grants and contributions provided for operating purposes	B2-4	<b>19,460</b>	20,230
36,238		Grants and contributions provided for capital purposes	B2-4	<b>26,544</b>	35,194
1,700		Interest and investment income	B2-5	<b>1,430</b>	4,300
–		Other income	B2-6	<b>6,087</b>	5,575
–		Net gains from the disposal of assets	B4-1	<b>–</b>	6
374,827		<b>Total income from continuing operations</b>		<b>365,789</b>	365,955
		<b>Expenses from continuing operations</b>			
135,923		Employee benefits and on-costs	B3-1	<b>139,118</b>	135,555
139,656		Materials and services	B3-2	<b>150,209</b>	146,283
2,829		Borrowing costs	B3-3	<b>2,605</b>	2,947
41,418		Depreciation, amortisation and impairment for non-financial assets	B3-4	<b>47,406</b>	43,546
23,192		Other expenses	B3-5	<b>24,781</b>	18,975
3,028		Net losses from the disposal of assets	B4-1	<b>1,579</b>	–
346,046		<b>Total expenses from continuing operations</b>		<b>365,698</b>	347,306
<b>28,781</b>		<b>Operating result from continuing operations</b>		<b>91</b>	18,649
<b>28,781</b>		<b>Net operating result for the year</b>		<b>91</b>	18,649
	87	Net operating result attributable to non-controlling interests		<b>104</b>	97
7,457		<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(26,453)</b>	(16,545)

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

(\*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21. This relates to B2-2, B2-3, B2-6, B3-2 and B3-5.



## Northern Beaches Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Net operating result for the year – from Income Statement</b>		<b>91</b>	<b>18,649</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>(38,925)</u>	<u>46,909</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(38,925)</b>	<b>46,909</b>
<b>Total other comprehensive income for the period</b>		<b>(38,925)</b>	<b>46,909</b>
<b>Total comprehensive income for the year</b>		<b>(38,834)</b>	<b>65,558</b>
Total comprehensive income attributable to Council		<b>(38,938)</b>	65,461
Total comprehensive income attributable to non-controlling interests		<b>104</b>	97

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

## Northern Beaches Council

## Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020 *
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	10,661	6,199
Investments	C1-2	135,751	147,311
Receivables	C1-4	15,993	15,421
Inventories	C1-5	378	403
Prepayments		2,028	1,572
<b>Total current assets</b>		<b>164,811</b>	<b>170,906</b>
<b>Non-current assets</b>			
Investments	C1-2	826	779
Receivables	C1-4	1,087	1,136
Infrastructure, property, plant and equipment	C1-6	5,062,151	5,072,703
Investment properties	C1-7	5,835	5,835
Right of use assets	C2-1	10,475	11,289
Prepayments		-	4
<b>Total non-current assets</b>		<b>5,080,374</b>	<b>5,091,746</b>
<b>Total assets</b>		<b>5,245,185</b>	<b>5,262,652</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	44,606	40,055
Contract liabilities	C3-2	26,546	15,782
Lease liabilities	C2-1	1,269	1,230
Borrowings	C3-3	5,033	5,137
Employee benefit provisions	C3-4	37,044	35,315
Provisions	C3-5	762	560
<b>Total current liabilities</b>		<b>115,260</b>	<b>98,079</b>
<b>Non-current liabilities</b>			
Payables	C3-1	200	250
Contract liabilities	C3-2	9,815	6,580
Lease liabilities	C2-1	9,474	10,211
Borrowings	C3-3	17,293	22,319
Employee benefit provisions	C3-4	2,432	2,225
Provisions	C3-5	44,150	37,439
<b>Total non-current liabilities</b>		<b>83,364</b>	<b>79,024</b>
<b>Total liabilities</b>		<b>198,624</b>	<b>177,103</b>
<b>Net assets</b>		<b>5,046,561</b>	<b>5,085,549</b>
<b>EQUITY</b>			
Accumulated surplus		4,866,196	4,866,209
IPPE revaluation reserve		179,229	218,154
<b>Council equity interest</b>		<b>5,045,425</b>	<b>5,084,363</b>
<b>Non-controlling equity interests</b>		<b>1,136</b>	<b>1,186</b>
<b>Total equity</b>		<b>5,046,561</b>	<b>5,085,549</b>

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

(\*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21

## Northern Beaches 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	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPPE revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance at 1 July		4,866,209	218,154	5,084,363	1,186	5,085,549	4,873,907	171,245	5,045,152	1,042	5,046,194
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	-	-	(26,204)	-	(26,204)	-	(26,204)
<b>Restated opening balance</b>		<b>4,866,209</b>	<b>218,154</b>	<b>5,084,363</b>	<b>1,186</b>	<b>5,085,549</b>	<b>4,847,703</b>	<b>171,245</b>	<b>5,018,948</b>	<b>1,042</b>	<b>5,019,990</b>
<b>Net operating result for the year</b>		<b>(13)</b>	<b>-</b>	<b>(13)</b>	<b>104</b>	<b>91</b>	<b>18,552</b>	<b>-</b>	<b>18,552</b>	<b>97</b>	<b>18,649</b>
<b>Other comprehensive income</b>											
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	(38,925)	(38,925)	-	(38,925)	-	46,909	46,909	-	46,909
<b>Other comprehensive income</b>		<b>-</b>	<b>(38,925)</b>	<b>(38,925)</b>	<b>-</b>	<b>(38,925)</b>	<b>-</b>	<b>46,909</b>	<b>46,909</b>	<b>-</b>	<b>46,909</b>
<b>Total comprehensive income</b>		<b>(13)</b>	<b>(38,925)</b>	<b>(38,938)</b>	<b>104</b>	<b>(38,834)</b>	<b>18,552</b>	<b>46,909</b>	<b>65,461</b>	<b>97</b>	<b>65,558</b>
Dividends paid to minority interest		-	-	-	(154)	(154)	-	-	-	-	-
Transfers between equity items		-	-	-	-	-	(46)	-	(46)	47	1
<b>Closing balance at 30 June</b>		<b>4,866,196</b>	<b>179,229</b>	<b>5,045,425</b>	<b>1,136</b>	<b>5,046,561</b>	<b>4,866,209</b>	<b>218,154</b>	<b>5,084,363</b>	<b>1,186</b>	<b>5,085,549</b>

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

## Northern Beaches 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>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
219,319	Rates and annual charges		<b>218,524</b>	207,777
81,665	User charges and fees		<b>82,123</b>	78,491
2,240	Investment and interest revenue received		<b>2,123</b>	5,710
40,014	Grants and contributions		<b>58,012</b>	38,074
5,116	Bonds, deposits and retention amounts received		<b>7,356</b>	5,740
43,513	Other		<b>37,697</b>	41,213
<b>Payments:</b>				
(134,821)	Employee benefits and on-costs		<b>(134,939)</b>	(132,220)
(118,526)	Materials and services		<b>(164,584)</b>	(137,714)
(1,195)	Borrowing costs		<b>(1,429)</b>	(3,025)
(5,116)	Bonds, deposits and retention amounts refunded		<b>(6,416)</b>	(6,386)
(61,802)	Other		<b>(23,879)</b>	(56,258)
70,407	<b>Net cash flows from operating activities</b>	G1-1a	<b>74,588</b>	41,402
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		<b>367,193</b>	347,119
2,315	Sale of infrastructure, property, plant and equipment		<b>2,539</b>	3,619
<b>Payments:</b>				
–	Purchase of investment securities		<b>(355,613)</b>	(306,465)
(103,449)	Purchase of infrastructure, property, plant and equipment		<b>(77,720)</b>	(80,171)
(101,134)	<b>Net cash flows from investing activities</b>		<b>(63,601)</b>	(35,898)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(5,102)	Repayment of borrowings		<b>(5,130)</b>	(5,162)
(1,231)	Principal component of lease payments		<b>(1,241)</b>	(1,195)
–	Dividends paid to minority interest		<b>(154)</b>	–
(6,333)	<b>Net cash flows from financing activities</b>		<b>(6,525)</b>	(6,357)
<b>(37,060)</b>	<b>Net change in cash and cash equivalents</b>		<b>4,462</b>	<b>(853)</b>
142,660	Cash and cash equivalents at beginning of year		<b>6,199</b>	7,052
<b>105,600</b>	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>10,661</b>	<b>6,199</b>

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

(\*) The original budget Statement of Cash Flows includes investments

# Northern Beaches Council

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# Northern Beaches Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 28th September 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 consolidated financial statements are set out below.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (Act) and Local Government (General) Regulation 2005 (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting.

Northern Beaches 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 financial assets and liabilities, and certain classes of infrastructure, property, plant and equipment and investment property.

#### Significant accounting estimates and judgements

##### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of investment property – refer Note C1-7
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- iii. estimated asset remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

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.

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

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

#### Monies and other assets received by Council

##### The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

## A1-1 Basis of preparation (continued)

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

- General purpose operations
- Kimbriki Environmental Enterprises Pty Limited

### The Trust Fund

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

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

A separate statement of monies held in the Trust Fund is available for inspection at Council offices, during opening hours, by any person free of charge.

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Volunteer services are not recognised as they would not be purchased if not donated.

### 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. Northern Beaches Council's assessment of the impact of these new standards and interpretations relevant to them is set out below.

Pronouncement	AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
Nature of change in accounting policy	This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.
Effective date	Annual reporting period beginning on or after 1 January 2023 (i.e. year ended 30 June 2024).
Expected impact on Council's financial statements	From our assessment, there is no impact expected for Council in the classification of our reported liabilities as current or non-current.

## A1-1 Basis of preparation (continued)

Pronouncement	AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
Nature of change in accounting policy	<p>This Standard amends a number of standards as follows:</p> <ul style="list-style-type: none"> <li>• AASB 1 First-Time Adoption of Australian Accounting Standards - to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;</li> <li>• AASB 3 Business Combinations - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;</li> <li>• AASB 9 Financial Instruments - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;</li> <li>• AASB 116 Property, Plant and Equipment – to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;</li> <li>• AASB 137 Provisions, Contingent Liabilities and Contingent Assets - to specify the costs that an entity includes when assessing whether a contract will be loss-making; and</li> <li>• AASB 141 Agriculture - to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.</li> </ul>
Effective date	Annual reporting period beginning on or after 1 January 2022 (i.e. year ended 30 June 2023)
Expected impact on Council's financial statements	Council has reviewed the changes above and determined there is no impact from these narrow-scope amendments.

Pronouncement	AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
Nature of change in accounting policy	The amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies.
Effective date	Annual reporting period beginning on or after 1 January 2023 (i.e. year ended 30 June 2024).
Expected impact on Council's financial statements	This change is expected to result in a minor update to terminology and disclosures within the financial statements.

### New accounting standards and interpretations adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2021. These standards did not have a significant impact on the reported financial position or financial performance:

*AASB 1059 – Service Concession Arrangements; Grantors*

*AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material*

*AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions*

*IFRS Interpretations Committee's (IFRIC's) agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement' (April 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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i> <sup>1</sup>
<b>Functions or activities</b>										
Environment and Sustainability	4,814	5,959	36,817	38,069	(32,003)	(32,110)	2,965	4,369	814,327	818,035
Waste and Cleansing	46,710	42,075	66,284	62,820	(19,574)	(20,745)	310	278	15,016	16,452
Kimbriki Resource Recovery Centre	27,138	26,022	19,100	19,983	8,038	6,039	–	–	83,453	80,081
Strategic Land Use Planning	1,401	1,184	7,268	6,511	(5,867)	(5,327)	318	326	29,757	32,277
Development Assessment	3,391	2,992	7,185	6,613	(3,794)	(3,621)	–	–	–	–
Environmental Compliance	6,546	8,745	13,578	12,944	(7,032)	(4,199)	–	–	–	–
Parks and Recreation	9,137	5,190	40,771	38,512	(31,634)	(33,322)	6,885	2,739	320,632	317,274
Children's Services	14,815	13,546	15,471	14,474	(656)	(928)	2,857	4,007	6,158	9,513
Community, Arts and Culture	3,615	5,436	12,418	13,979	(8,803)	(8,543)	899	1,936	49,225	50,472
Library Services	1,150	1,000	11,451	11,084	(10,301)	(10,084)	922	746	42,766	36,059
Transport, Traffic and Active Travel	26,432	23,165	37,192	39,364	(10,760)	(16,199)	11,944	8,716	841,488	815,660
Economic Development, Events and Engagement	387	742	10,052	10,979	(9,665)	(10,237)	60	–	–	–
Property and Facilities	27,928	38,517	56,770	46,218	(28,842)	(7,701)	2,640	15,743	2,918,847	2,957,572
Governance and Assurance Services	215	185	11,722	11,449	(11,507)	(11,264)	–	–	–	–
Customer Services	1,070	891	4,081	3,496	(3,011)	(2,605)	–	–	–	–
Corporate Support Services	11,835	13,187	15,538	10,811	(3,703)	2,376	8,255	8,478	123,516	129,257
General Purpose Income	179,205	177,119	–	–	179,205	177,119	7,949	8,086	–	–
<b>Total functions and activities</b>	<b>365,789</b>	<b>365,955</b>	<b>365,698</b>	<b>347,306</b>	<b>91</b>	<b>18,649</b>	<b>46,004</b>	<b>55,424</b>	<b>5,245,185</b>	<b>5,262,652</b>

(1) Items have been reclassified according to asset functionality



## B1-2 Components of functions or activities

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

### Environment and Sustainability

This service protects and enhances the natural and built environments by delivering programs which preserve biodiversity, manage natural hazards and improve sustainability and resilience of our community. This includes management of Council's stormwater network.

### Kimbriki Resource Recovery Centre

This facility delivers sustainable waste management and recycling services to the community. It recycles around 80% of waste received and also provides education on sustainability via the Eco House and garden.

### Development Assessment

This service assesses Development Applications in line with local and state planning controls. It also provides pre-lodgement meetings to assist applicants in the preparation of their applications.

### Parks and Recreation

This service manages open space for sport, recreation and leisure, as well as public trees in streets. This includes developing and maintaining playgrounds, sportsfields, rockpools, golf courses, gardens and parks as well as Manly Dam and Narrabeen Lagoon. It also provides professional lifeguards at 21 beaches.

### Community, Arts and Culture

This service provides, supports and facilitates programs to build social capital and enhance the health and well-being of individuals and families in the community. It includes the Meals on Wheels service, programs for aged, people with disability and youth, Community centre bookings and arts and cultural events via a theatre, creative spaces, art gallery and museum.

### Transport, Traffic and Active Travel

This service maintains the road network, car parking areas/stations, footpaths, bus shelters, guard rails, bridges, causeways, retaining walls, pedestrian crossings, the Hop, Skip and Jump bus service, roundabouts and cycleways. It also delivers road safety programs to educate the community.

### Property and Facilities

This service manages Council's portfolio of community and civic buildings, including aquatic centres, holiday accommodation facilities and cemeteries. It also manages leases/licences of property and the cleaning of toilet facilities.

### Customer Services

This service provides front of house customer service centres for people attending Council in person at Avalon, Dee Why, Manly and Mona Vale as well as a call centre for people contacting Council by phone.

### Waste and Cleansing

This service manages the collection of waste and recyclables from households, cleaning of public places (beaches, parks, streets, centres and graffiti removal), street sweeping and the collection of dumped rubbish.

### Strategic Land Use Planning

The service prepares strategic plans and policies to sustainably manage growth and development on the Northern Beaches.

### Environmental Compliance

This service safeguards public health, safety and the natural environment through education, regulation and enforcement. This includes responding to issues relating to illegal land use, noise, water, food safety, parking and companion animal management as well delivering public health programs.

### Children's Services

This service offers high quality professional care for children aged 0-11 years via seven long day care centres, four vacation care locations, two pre-schools, an occasional care centre and a network of family day carers.

### Library Services

This service provides free access to the library collection as well as space for reading, study and recreation at Dee Why, Forestville, Glen Street in Belrose, Manly, Mona Vale and Warringah Mall as well as a home library service. It also supports community libraries at Avalon, Terrey Hills, Seaforth, Harbord and Book Lovers' Club Northern Beaches in Narrabeen.

### Economic Development, Events and Engagement

This service delivers community events, economic development and tourism initiatives, projects to activate our centres, marketing and promotion and community engagement services.

## B1-2 Components of functions or activities (continued)

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### **Governance and Assurance Services**

This service supports the elected Council and provides functions including secretarial support for meetings, legal and internal audit services, complaints management, business continuity and risk management services.

### **Corporate Support Services**

This service supports the organisations to efficiently deliver services to the community by providing financial management, procurement, human resources management, technology and information systems, corporate planning and reporting and project management services to the organisation.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	143,275	139,493
Farmland	15	14
Business	27,785	26,893
Less: pensioner rebates (mandatory)	(1,884)	(1,913)
Less: pensioner rebates (Council policy)	(149)	(139)
<b>Rates levied to ratepayers</b>	<b>169,042</b>	<b>164,348</b>
Pensioner rate subsidies received	1,034	1,048
<b>Total ordinary rates</b>	<b>170,076</b>	<b>165,396</b>
<b>Special rates</b>		
Business	1,307	1,311
<b>Rates levied to ratepayers</b>	<b>1,307</b>	<b>1,311</b>
<b>Total special rates</b>	<b>1,307</b>	<b>1,311</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	46,326	41,385
Stormwater management services	879	878
Section 611 charges	190	197
Less: pensioner rebates (mandatory)	(607)	(587)
Less: pensioner rebates (Council policy)	(335)	(307)
<b>Annual charges levied</b>	<b>46,453</b>	<b>41,566</b>
Pensioner subsidies received:		
– Domestic waste management	333	321
<b>Total annual charges</b>	<b>46,786</b>	<b>41,887</b>
<b>Total rates and annual charges</b>	<b>218,169</b>	<b>208,594</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue 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	2021	2020
Aquatic centres	7,397	6,596
Caravan park	4,151	4,796
Cemeteries	1,082	1,015
Child care	11,952	9,517
Community centres	1,563	1,544
Currawong State Park	284	244
Glen Street Theatre	728	1,298
Golf course	2,359	1,947
Kimbriki waste and recycling centre	24,042	23,634
Libraries	121	141
Parking areas	11,427	11,186
Planning and building regulatory	7,738	6,459
Regulatory/statutory fees	248	539
Restoration charges	1,231	1,198
Section 10.7 certificates (EP&A Act)	870	707
Section 603 certificates	517	417
Sportsfields and reserves	1,310	1,448
Other Fees	2,085	1,826
<b>Total user charges and fees</b>	<b>79,105</b>	<b>74,512</b>

### Timing of revenue recognition for user charges and fees

User charges and fees recognised over time	25,347	22,697
User charges and fees recognised at a point in time	53,758	51,815
<b>Total user charges and fees</b>	<b>79,105</b>	<b>74,512</b>

### Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service 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 mainly either short-term or low value and all revenue from licences < \$5k is recognised at the time that the licence is granted rather than over the term of the licence.

**B2-3 Other revenue**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
Advertising income	612	893
Ex gratia rates	26	26
Fines – other	537	699
Fines – parking	4,458	6,248
Legal fees recovery	338	325
Other revenues – Kimbriki	2,853	2,216
Recycling income (domestic)	629	640
Sales of inventories	870	918
Licences, consents & deeds	3,284	3,055
Other	1,387	2,524
<b>Total other revenue</b>	<b>14,994</b>	<b>17,544</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time	3,284	3,055
Other revenue recognised at a point in time	11,710	14,489
<b>Total other revenue</b>	<b>14,994</b>	<b>17,544</b>

**Accounting policy for other revenue**

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the 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	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,732	2,824	–	–
Financial assistance – local roads component	1,107	1,101	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,922	2,991	–	–
Financial assistance – local roads component	1,188	1,170	–	–
<b>Amount recognised as income during current year</b>	<b>7,949</b>	<b>8,086</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
<b>Previously specific grants:</b>				
Bushfire services	946	886	–	172
Child care	2,847	4,007	10	–
Coast and estuaries	–	–	600	1,967
Community services	944	948	60	90
Environmental protection	3,166	1,906	–	137
Heritage and cultural	–	70	–	–
Library	703	133	219	613
LIRS subsidy	370	466	–	–
Recreation and culture	471	307	2,575	1,928
Street lighting	807	1,243	–	–
Stronger communities fund	106	1,153	5,212	4,313
Transport (other roads and bridges funding)	410	284	6,786	2,086
Transport (roads to recovery)	–	–	1,418	1,418
Transport for NSW contributions (regional roads, block grant)	741	741	1,219	1,141
Other	–	–	–	64
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>11,511</b>	<b>12,144</b>	<b>18,099</b>	<b>13,929</b>
<b>Non-cash contributions</b>				
TfNSW Dedication of B-Line Carpark and Amenities	–	–	–	11,800
Other	–	–	369	667
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>369</b>	<b>12,467</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>11,511</b>	<b>12,144</b>	<b>18,468</b>	<b>26,396</b>
<b>Total grants and non-developer contributions</b>	<b>19,460</b>	<b>20,230</b>	<b>18,468</b>	<b>26,396</b>
<b>Comprising:</b>				
– Commonwealth funding	9,071	9,774	4,850	1,652
– State funding	9,781	9,094	10,894	23,334
– Other funding	608	1,362	2,724	1,410
	<b>19,460</b>	<b>20,230</b>	<b>18,468</b>	<b>26,396</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	<b>Operating 2021</b>	<b>Operating 2020</b>	<b>Capital 2021</b>	<b>Capital 2020</b>
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G3				
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	751	3,453
S 7.12 – fixed development consent levies		–	–	6,874	4,163
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>7,625</b>	<b>7,616</b>
<b>Non-cash contributions</b>					
Other developer contributions		–	–	451	1,182
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>451</b>	<b>1,182</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>8,076</b>	<b>8,798</b>
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>8,076</b>	<b>8,798</b>
<b>Total grants and contributions</b>		<b>19,460</b>	<b>20,230</b>	<b>26,544</b>	<b>35,194</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time		4,358	6,099	15,420	11,044
Grants and contributions recognised at a point in time		15,102	14,131	11,124	24,150
<b>Total grants and contributions</b>		<b>19,460</b>	<b>20,230</b>	<b>26,544</b>	<b>35,194</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent Grants and Contributions Held As Externally Restricted Funds</b>				
Unspent funds at 1 July	654	732	32,020	32,985
Recognised as income in the current period but not yet spent	213	159	8,308	10,600
Received for the provision of goods and services in a future period	-	-	-	-
Recognised in a previous reporting period now spent	(605)	(237)	(10,786)	(11,565)
<b>Unspent Funds at 30 June</b>	<b>262</b>	<b>654</b>	<b>29,542</b>	<b>32,020</b>
<b>Unspent Grants and Contributions Held as Internally Restricted Funds</b>				
Unspent funds at 1 July	7,501	8,212	13,727	17,992
Recognised as income in the current period but not yet spent	111	-	-	-
Received for the provision of goods and services in a future period	3,269	896	16,729	726
Received in a previous reporting period now spent and recognised as income	(792)	(1,607)	(6,449)	(4,991)
<b>Unspent funds at 30 June</b>	<b>10,088</b>	<b>7,501</b>	<b>24,007</b>	<b>13,727</b>

### Nature of unspent grants and contributions:

	2021	2020
- Currawong Cabin Renovations	1,364	-
- Local Roads and Community Infrastructure	2,409	-
- Precinct Support Scheme Frenchs Forest	4,624	-
- Transport for NSW B-line projects	8,428	1,800
- Stronger Communities Fund	11,789	17,265
- New Council Implementation Fund	-	484
- Other grants	5,743	2,078
- ECE&C Childcare Funds-	-	255
<b>Closing balance unspent grants and contributions - refer to Note C1-3:</b>	<b>34,357</b>	<b>21,882</b>
<b>Closing balance unspent Developer Contributions - refer to Note G3:</b>	<b>29,542</b>	<b>32,020</b>

### 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 an enforceability clause, details on the specific performance obligations of the transfer of goods or services to an external party through the contract or as part of an agreed work schedule or plan, and refund stipulations if the performance obligations are not met. 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.

## B2-4 Grants and contributions (continued)

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completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

### Capital grants

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

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

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

### Developer contributions

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

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

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

### Other grants and contributions

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

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

**B2-5 Interest and investment income**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	<b>227</b>	443
– Cash and investments	<b>1,136</b>	3,831
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss (FVTPL)	<b>67</b>	26
<b>Total interest and investment income (losses)</b>	<b>1,430</b>	<b>4,300</b>

**Accounting policy**

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



**B2-6 Other income**

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Rental Income Investment Properties		<u>204</u>	310
<b>Total Investment properties</b>		<u>204</u>	<u>310</u>
<b>Other lease income</b>			
Rental Income Leased Council Properties <sup>1</sup>		<u>5,883</u>	5,265
<b>Total Other lease income</b>		<u>5,883</u>	<u>5,265</u>
<b>Total rental income</b>	C2-2	<u>6,087</u>	<u>5,575</u>
<b>Total other income</b>		<u>6,087</u>	<u>5,575</u>

(1) Rental income reclassified to Licences Consents & Deeds, and Other Revenues

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	112,604	109,235
Employee termination costs (where material – other than vested leave paid)	743	643
Employee leave entitlements (ELE)	12,081	11,973
Superannuation	12,610	12,281
Workers' compensation insurance	2,472	2,265
Fringe benefit tax (FBT)	677	816
Kimbriki salaries and on-costs	4,734	4,868
<b>Total employee costs</b>	<b>145,921</b>	<b>142,081</b>
Less: capitalised costs	<b>(6,803)</b>	<b>(6,526)</b>
<b>Total employee costs expensed</b>	<b>139,118</b>	<b>135,555</b>

#### Accounting policy

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

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

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

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

Council is a self-insurer for workers compensation claims up to \$600k. Claims above this amount are covered by an external insurance provider. 'Workers compensation insurance' includes all costs associated with self-insurance and the external policy - refer to Note E3-1 for more information.

## B3-2 Materials and services

\$ '000	Notes	2021	2020
Agency personnel		2,832	4,385
Audit fees	F2-1	222	220
Bank charges		498	495
Bush regeneration		4,108	4,283
Cleaning		7,180	6,264
Consultancy		389	345
Councillor and Mayoral fees and associated expenses	F1-2	595	659
Electricity, heating and water		4,503	4,466
Environment and floodplain management		2,373	1,760
External roadwork		4,076	8,017
Golf course and driving range		1,158	1,139
Insurance		3,020	2,574
IT and communications		11,863	7,629
Kimbriki Waste and Recycling Centre		14,486	14,281
Land use planning		1,190	687
Legal fees - other		8,389	2,969
Legal Fees - planning and development		2,336	1,128
Lifeguard services		1,405	1,188
Maintenance and servicing		6,103	5,590
Management fees		1,692	1,697
NSW Revenue fine processing fees		552	836
Other contracts		8,358	9,053
Parking		672	622
Performance and events		986	1,245
Plant and vehicle		2,167	2,378
Printing, postage and stationery		1,245	1,428
Raw materials and consumables		4,114	4,408
Recreation and sportsfields		7,801	7,453
Stormwater		824	658
Street lighting		2,615	2,635
Training costs		776	999
Tree works		3,501	5,662
Valuation fees		458	434
Waste collection <sup>1</sup>		16,325	16,440
Waste disposal and processing		15,892	16,049
Materials and services - other		5,764	6,565
<b>Total materials and services</b>		<b>150,468</b>	<b>146,641</b>
Less: capitalised costs		(259)	(358)
<b>Total materials and services</b>		<b>150,209</b>	<b>146,283</b>

### Accounting policy

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

(1) Includes \$15.417m variable lease charges related to the waste collection contract refer note C2-1

### B3-3 Borrowing costs

\$ '000	Notes	2021	2020
<b>(i) Interest bearing liability costs</b>			
Interest on leases		317	351
Interest on loans		1,052	1,374
<b>Total interest bearing liability costs</b>		<b>1,369</b>	<b>1,725</b>
<b>Total interest bearing liability costs expensed</b>		<b>1,369</b>	<b>1,725</b>
<b>(ii) Other borrowing costs</b>			
Unwinding of discount asset remediation	C3-5	1,236	1,222
<b>Total other borrowing costs</b>		<b>1,236</b>	<b>1,222</b>
<b>Total borrowing costs expensed</b>		<b>2,605</b>	<b>2,947</b>

#### Accounting policy

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

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

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		5,729	6,053
Office equipment		4,029	2,438
Furniture and fittings		39	33
Land improvements (depreciable)		2,611	1,682
<b>Infrastructure:</b>	C1-6		
– Buildings		8,570	8,427
– Roads sealed		7,749	6,980
– Roads unsealed		5	5
– Other road assets		1,743	1,643
– Bridges		70	72
– Footpaths		836	741
– Stormwater drainage		6,744	6,574
– Swimming pools		392	378
– Other open space/recreational assets		3,550	3,143
– Other infrastructure		2,104	2,182
Right of use assets	C2-1	1,357	1,347
<b>Other assets:</b>			
– Library books		1,098	1,214
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Asset remediation	C3-5,C1-6	780	634
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>47,406</b>	<b>43,546</b>

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

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

## B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables	C1-4	115	148
Fair value decrement on investment properties	C1-7	-	130
Donations, contributions and assistance to other organisations		8,141	3,601
<b>Contributions/levies to other levels of government:</b>			
- Crown land levy		106	112
- Emergency services levy		7,369	6,194
- Land tax		384	293
- Planning levy		681	669
- Waste levy		7,985	7,828
<b>Total other expenses</b>		<b>24,781</b>	<b>18,975</b>

### Accounting policy

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

Impairment expenses are recognised when identified.

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

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		<b>263</b>	1,282
Less: carrying amount of property assets sold/written off		<b>(210)</b>	(1,413)
<b>Gain (or loss) on disposal</b>		<b>53</b>	<b>(131)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		<b>2,276</b>	2,337
Less: carrying amount of plant and equipment assets sold/written off		<b>(892)</b>	(1,339)
<b>Gain (or loss) on disposal</b>		<b>1,384</b>	<b>998</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		<b>(3,016)</b>	(861)
<b>Gain (or loss) on disposal</b>		<b>(3,016)</b>	<b>(861)</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		<b>355,633</b>	347,119
Less: carrying amount of financial assets sold/redeemed/matured		<b>(355,633)</b>	(347,119)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(1,579)</b>	<b>6</b>

**Accounting policy**

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



## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 23rd June 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	218,106	218,169	63	0%	<b>F</b>
<b>User charges and fees</b>	77,954	79,105	1,151	1%	<b>F</b>
<b>Other revenues</b>	25,256	14,994	(10,262)	(41)%	<b>U</b>
<ul style="list-style-type: none"> <li>• Income received from leases is now required to be reported as 'Other Income' while all other income from property arrangements under licences, deeds, consents and other arrangements remains classified as 'Other Revenues'. The budget for property arrangements including leases was \$8.9 million and actual income was \$9.4 million.</li> <li>• Income from 'Other Revenues' and 'Other Income' combined was \$21.1 million, which represents an unfavourable variation of \$4.2 million against the budget of \$25.3 million primarily due to the impact of the COVID-19 pandemic including reductions in income from fines (\$3.1 million), advertising on structures (\$0.7 million), event sales (\$0.4 million) and sales at Glen Street Theatre (\$0.35 million).</li> </ul>					
<b>Operating grants and contributions</b>	15,573	19,460	3,887	25%	<b>F</b>
Council budgets for recurring and secured operating grants and contributions. Variations to the budget included:					
<ul style="list-style-type: none"> <li>• Children's Services income through COVID-19 Local Government Early Childhood Education and Care grants and Transition funding \$1.9 million</li> <li>• Recognition of the NSW State Library subsidy as an operational grant (previously partly classified as a capital grant for book purchases) \$0.7 million</li> <li>• NSW Public Works Natural Disaster Payments for November 2019 storm \$0.5 million and February 2017 storm \$0.3 million</li> <li>• Emergency Services Levy 2021/22 grant received in advance \$0.2 million</li> </ul>					
<b>Capital grants and contributions</b>	36,238	26,544	(9,694)	(27)%	<b>U</b>
Council budgets conservatively for new capital grants and contributions so as to avoid reliance on unsecured funding. The timing of revenue recognition for most grants now aligns with meeting the milestones throughout the expenditure of the grant. Delays in projects have resulted in an unfavourable variance against the Original Budget, with the timing of this income now expected in future financial years.					
Significant variations include:					
<ul style="list-style-type: none"> <li>• Connecting Communities Footpaths and Cycleways programs delays to allow further consultation (\$6.4 million)</li> <li>• Mona Vale and Long Reef SLSC delays to enable design changes before submitting development plans (\$4.8 million)</li> <li>• Narrabeen Lagoon Pedestrian and Cycle Bridge delays to allow geotechnical investigation (\$4.7 million)</li> </ul>					
Offset by increased funding for projects including Road Resheeting (\$1.6 million), Bike Plan Implementation (\$1.3 million) and footpath renewals works (\$0.7 million) along with \$2.0 million in higher than anticipated developer contributions.					
<b>Interest and investment revenue</b>	1,700	1,430	(270)	(16)%	<b>U</b>
Interest and investment revenue was unfavourable against the budget due to the lowering of the cash rate and the decline in margins due to the lower demand for funds from banks.					
<b>Net gains from disposal of assets</b>	-	-	-	∞	<b>F</b>

## B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
<b>Other income</b>	–	6,087	6,087	∞	<b>F</b>

'Lease income' has been re-classified in accordance with the Local Government Code of Accounting Practice and Financial Reporting from 'Other Revenues' to 'Other Income'. Refer to 'Other Revenues'.

### EXPENSES

<b>Employee benefits and on-costs</b>	135,923	139,118	(3,195)	(2)%	<b>U</b>
<b>Materials and services</b>	139,656	150,209	(10,553)	(8)%	<b>U</b>

The unfavourable variance in this expense category was primarily related to two items:

- Following mediation before the Hon Keith Mason AC QC, the dispute between Built Athas and Northern Beaches Council relating to the development of Manly Council's Whistler Street Car Park has been resolved by the parties, without admission of liability by any party, on terms that Council pay to Built Athas \$6,750,000 in full and final settlement of all matters in dispute. The terms of the settlement are otherwise confidential.
- Higher IT costs primarily due to the impact of the reclassification of 'software as a service' implementation costs from capital expenses to operating expenses in accordance with an April 2021 decision of the International Financial Reporting Standards Interpretations Committee (IFRIC) (\$2.2 million)

<b>Borrowing costs</b>	2,829	2,605	224	8%	<b>F</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	41,418	47,406	(5,988)	(14)%	<b>U</b>

Increased depreciation was associated with the creation of new assets and renewal of a significant number of assets over the past 12 months including site development works at Kimbriki, IT infrastructure, new transport assets and building assets.

New lease accounting resulted in a new expense for the amortisation of leases for \$1.4 million (primarily related to the waste collection contract). Further, a recent International Financial Reporting Standards Interpretations Committee (IFRIC) decision has changed the way the implementation of 'software as a service' is accounted for, resulting in a once-off additional depreciation expense of \$0.9 million.

<b>Other expenses</b>	23,192	24,781	(1,589)	(7)%	<b>U</b>
<b>Net losses from disposal of assets</b>	3,028	1,579	1,449	48%	<b>F</b>

Disposal costs were lower than budget primarily due to delays in plant and fleet replacements caused by COVID-19 supply issues and the timing of property project related asset disposals. The Council also received \$0.26m following the sale of land adjacent to Wakehurst Parkway Oxford Falls.

### STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	70,407	74,588	4,181	6%	<b>F</b>
<b>Cash flows from investing activities</b>	(101,134)	(63,601)	37,533	(37)%	<b>F</b>

The favourable performance against budget reflects lower than anticipated capital works expenditure. Consultation, design and approval delays along with the disruption of the COVID-19 pandemic have slowed progress on a number of projects. The unspent budget for these projects is to be revoted into future years. Also, as noted within the 'Materials and Service' expense category, 'software as a service' implementation costs were re-classified from capital expenses.

<b>Cash flows from financing activities</b>	(6,333)	(6,525)	(192)	3%	<b>U</b>
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## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	205	1,222
Cash-equivalent assets		
– Deposits at call	10,456	4,977
<b>Total cash and cash equivalents</b>	<b>10,661</b>	<b>6,199</b>

#### Reconciliation of cash and cash equivalents

\$ '000	Notes	2021	2020
Total cash and cash equivalents per Statement of Financial Position	C1-1	10,661	6,199
<b>Balance as per the Statement of Cash Flows</b>		<b>10,661</b>	<b>6,199</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Financial assets at fair value through the profit and loss</b>				
Mortgage backed securities	–	826	–	779
<b>Total</b>	<b>–</b>	<b>826</b>	<b>–</b>	<b>779</b>
<b>Debt securities at amortised cost</b>				
Term deposits	135,751	–	147,311	–
<b>Total</b>	<b>135,751</b>	<b>–</b>	<b>147,311</b>	<b>–</b>
<b>Total financial investments</b>	<b>135,751</b>	<b>826</b>	<b>147,311</b>	<b>779</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

## C1-2 Financial investments (continued)

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### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

### **Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in a mortgage backed security.

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

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>146,412</b>	<b>826</b>	153,510	779
<b>attributable to:</b>				
External restrictions	30,009	826	38,269	779
Internal restrictions	83,399	–	71,475	–
Unrestricted	33,004	–	43,766	–
	<b>146,412</b>	<b>826</b>	<b>153,510</b>	<b>779</b>

Unrestricted refers to the remaining balance of cash, cash equivalents and investments that are not subject to externally imposed restrictions on their use or internal allocations by resolution of Council for specific future purposes.

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

#### External restrictions

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

Developer contributions – general (A)	<b>29,542</b>	32,021
Specific purpose unexpended grants (recognised as revenue) – general fund (B)	<b>262</b>	170
Domestic waste management (C)	<b>428</b>	5,393
Stormwater management (C)	<b>194</b>	683
New council implementation fund (B)	<b>–</b>	484
Balgowlah area improvement special rate (D) <sup>1</sup>	<b>407</b>	297
Manly business centre improvements special rate (E)	<b>2</b>	–
<b>Total external restrictions</b>	<b>30,835</b>	<b>39,048</b>

(1) This reserve has been re-categorised from internal to external restrictions.

#### External Restrictions

- A Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans (refer Note G3)
- B Grants already recognised as revenue which are not yet expended for the purposes for which the grants were obtained
- C Domestic Waste Management (DWM) cash surplus from operations is held as a restricted asset to fund future capital expenditure, including bin replacements and process improvements to the Domestic Waste collection business
- D Funds received through a special rate are set aside to be used on future capital works in Balgowlah around Sydney Road and Condamine Street.
- E Funds received through a special rate are set aside to be used on future capital works in the Manly Business Centre

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

\$ '000	2021	2020
<b>Internal restrictions</b>		
Council has internally restricted cash, cash equivalents and investments as follows:		
Mona Vale Cemetery reserve (A)	5,023	4,595
Deposits, retentions and bonds (B)	13,750	13,169
Employees leave entitlement (C)	7,633	7,248
Environmental levy (former Manly Council) (D)	1,839	1,681
Meals on wheels (E)	262	222
Road reserve (F)	-	-
Special rates variation (former Pittwater Council) (G)	2,611	4,976
Merger savings fund (H)	3,647	5,169
Tennis liaison trust fund (I)	199	192
Unexpended loans (J)	-	1,479
Manly Art Gallery (K)	710	723
Plant and Fleet Replacement (L)	1,406	-
Kimbriki Landfill Remediation (M)	12,153	10,697
Stronger Communities Fund Tied Grants (N)	11,789	17,265
Other Tied Grants (N)	22,306	3,963
Other (O)	71	96
<b>Total internal restrictions</b>	<b>83,399</b>	<b>71,475</b>
<b>Total restrictions</b>	<b>114,234</b>	<b>110,523</b>

Internal restrictions over cash, cash equivalents and investments are those assets restricted by a resolution of the Council for specific future purposes. Internal restrictions are utilised to disclose the purpose of cash balances held by Council including the management of liabilities and long term financial planning for future commitments.

- A Any cash surplus from Mona Vale Cemetery operations is held as a restricted asset to fund future perpetual maintenance.
- B 75% of deposits, retentions and bonds are held as restricted funds.
- C 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff.
- D Unexpended funds received through the environmental component of the former Manly's rates are set aside to be used to fund various environmental programs around the Manly area.
- E Any cash surplus from Meals on Wheels operations is held as a restricted asset to fund future expenses.
- F In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of public roads are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.
- G Funds received through a special rates variation are set aside to be used on major capital and infrastructure works, environmental projects, community facility improvements and the replacement of ageing infrastructure in the Pittwater area.
- H Amalgamation savings achieved to 30 June 2018 and set aside to fund various future capital and operational projects.
- I 70% of rental income from Mona Vale, Careel Bay, Elanora Park and Bayview Tennis Clubs is held as a restricted asset to be expended on future capital works and improvements at the Tennis Clubs.
- J Balance of loan taken out by Council for a water detention tank at Manly Oval.
- K Bequest to Council from Theodore Batten to fund future youth art award programs and artwork acquisitions.
- L Funds set aside for future plant and fleet replacement
- M Funds set aside to remediate the Kimbriki tip landfill site
- N Tied grants relate to any grants received where revenue recognition is deferred until obligations are satisfied
- O - Any cash surplus from the Bible Garden Public Reserve is held as a restricted asset to fund future maintenance at the site.
- Rental income from the Café at Mona Vale Surf Club is held as a restricted asset to fund future maintenance and improvements.
- Cash set aside as a contribution towards the future replacement of pipeline and ongoing maintenance to the Scotland Island non potable emergency water supply.

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	7,219	652	7,210	678
Interest and extra charges	727	435	722	458
User charges and fees	6,235	–	5,147	–
Interest on investments	149	–	891	–
Government grants and subsidies	859	–	313	–
Net GST receivable	1,578	–	2,015	–
<b>Total</b>	<b>16,767</b>	<b>1,087</b>	<b>16,298</b>	<b>1,136</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(119)	–	(120)	–
User charges and fees	(655)	–	(757)	–
<b>Total provision for impairment – receivables</b>	<b>(774)</b>	<b>–</b>	<b>(877)</b>	<b>–</b>
<b>Total net receivables</b>	<b>15,993</b>	<b>1,087</b>	<b>15,421</b>	<b>1,136</b>

### Accounting policy

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

### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.



## C1-5 Inventories

<b>\$ '000</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>(i) Inventories at cost</b>				
Stores and materials	274	–	293	–
Trading stock	104	–	110	–
<b>Total inventories at cost</b>	<b>378</b>	<b>–</b>	<b>403</b>	<b>–</b>
<b>Total inventories</b>	<b>378</b>	<b>–</b>	<b>403</b>	<b>–</b>

### Accounting policy

#### Stores, materials and trading stock

Stores, materials and trading stock are stated at the lower of cost and net realisable value. 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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	24,906	–	24,906	9,761	20,411	–	–	(18,849)	–	36,229	–	36,229
Plant and equipment	42,954	(15,382)	27,572	1,480	3,570	(891)	(5,729)	–	–	44,376	(18,374)	26,002
Office equipment	23,440	(16,758)	6,682	1,041	598	–	(4,029)	–	–	23,927	(19,635)	4,292
Furniture and fittings	2,116	(1,963)	153	–	135	–	(39)	–	–	2,250	(2,001)	249
<b>Land:</b>												
– Operational land	435,251	–	435,251	–	–	(210)	–	(1,693)	(49,764)	383,584	–	383,584
– Community & Crown land	2,111,810	–	2,111,810	–	2,951	–	–	1,693	–	2,116,454	–	2,116,454
– Land under roads (post 30/6/08)	721	–	721	–	4	–	–	–	–	725	–	725
Land improvements – depreciable	15,336	(5,590)	9,746	170	–	–	(2,611)	6,314	–	21,820	(8,201)	13,619
<b>Infrastructure:</b>												
– Buildings	665,615	(169,636)	495,979	9,734	411	(2,449)	(8,570)	–	10,839	694,661	(188,717)	505,944
– Roads sealed	532,140	(55,371)	476,769	8,432	493	(133)	(7,749)	–	–	537,899	(60,087)	477,812
– Roads unsealed	1,745	(246)	1,499	17	148	–	(5)	–	–	1,910	(251)	1,659
– Bridges	12,509	(3,354)	9,155	–	–	–	(70)	(36)	–	12,436	(3,387)	9,049
– Footpaths	114,562	(12,455)	102,107	1,319	5,459	(31)	(836)	–	–	120,869	(12,851)	108,018
– Other road assets (including bulk earthworks)	247,355	(39,534)	207,821	2,400	3,418	(241)	(1,743)	–	–	252,114	(40,459)	211,655
– Stormwater drainage	977,219	(159,887)	817,332	2,355	1,253	(100)	(6,744)	–	–	980,704	(166,608)	814,096
– Swimming pools	27,338	(4,709)	22,629	1,493	–	–	(392)	–	–	28,831	(5,101)	23,730
– Other open space/recreational assets	130,957	(15,456)	115,501	2,302	1,295	(46)	(3,550)	(3)	–	133,538	(18,039)	115,499
– Other infrastructure	212,074	(32,511)	179,563	3,100	1,198	(16)	(2,104)	39	–	215,764	(33,984)	181,780
<b>Other assets:</b>												
– Library books	17,151	(13,840)	3,311	25	1,338	–	(1,098)	–	–	18,514	(14,938)	3,576
– Other	4,577	–	4,577	–	193	–	–	–	–	4,771	(1)	4,770
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>												
– Asset remediation	24,372	(4,753)	19,619	–	4,570	–	(780)	–	–	28,942	(5,533)	23,409
<b>Total infrastructure, property, plant and equipment</b>	<b>5,624,148</b>	<b>(551,445)</b>	<b>5,072,703</b>	<b>43,629</b>	<b>47,445</b>	<b>(4,117)</b>	<b>(46,049)</b>	<b>(12,535)</b>	<b>(38,925)</b>	<b>5,660,318</b>	<b>(598,167)</b>	<b>5,062,151</b>

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

(-) Total capital expenditure was \$73.9 million in 2020-21 and \$97.2 million in 2019-20

## 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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	22,236	–	22,236	2,812	16,587	–	–	(16,729)	–	24,906	–	24,906
Plant and equipment	44,096	(15,233)	28,863	236	5,864	(1,338)	(6,053)	–	–	42,954	(15,382)	27,572
Office equipment	20,491	(14,332)	6,159	–	2,876	(1)	(2,438)	86	–	23,440	(16,758)	6,682
Furniture and fittings	2,041	(1,929)	112	–	74	–	(33)	–	–	2,116	(1,963)	153
<b>Land:</b>												
– Operational land	439,879	–	439,879	–	–	(1,413)	–	(3,215)	–	435,251	–	435,251
– Community & Crown land	2,077,361	–	2,077,361	–	1,810	–	–	2,490	30,149	2,111,810	–	2,111,810
– Land under roads (post 30/6/08)	1,704	–	1,704	–	193	–	–	725	(1,901)	721	–	721
Land improvements – depreciable	14,110	(3,906)	10,204	274	–	–	(1,682)	950	–	15,336	(5,590)	9,746
<b>Infrastructure:</b>												
– Buildings	639,613	(166,820)	472,793	15,793	16,060	(240)	(8,427)	–	–	665,615	(169,636)	495,979
– Roads	524,382	(50,372)	474,010	8,355	1,546	(162)	(6,980)	–	–	532,140	(55,371)	476,769
– Bridges	12,451	(3,361)	9,090	85	52	–	(72)	–	–	12,509	(3,354)	9,155
– Footpaths	104,264	(12,266)	91,998	1,006	9,883	(39)	(741)	–	–	114,562	(12,455)	102,107
– Other road assets (including bulk earthworks)	243,485	(38,776)	204,709	1,937	3,047	(229)	(1,643)	–	–	247,355	(39,534)	207,821
– Stormwater drainage	949,913	(149,813)	800,100	3,661	1,630	(146)	(6,574)	–	18,661	977,219	(159,887)	817,332
– Swimming pools	27,242	(4,393)	22,849	158	–	–	(378)	–	–	27,338	(4,709)	22,629
– Other open space/recreational assets	124,625	(13,026)	111,599	1,189	5,746	(23)	(3,143)	133	–	130,957	(15,456)	115,501
– Other infrastructure	202,062	(31,247)	170,815	4,395	6,690	(22)	(2,182)	(133)	–	212,074	(32,511)	179,563
– Roads unsealed	1,732	(241)	1,491	–	13	–	(5)	–	–	1,745	(246)	1,499
<b>Other assets:</b>												
– Library books	15,949	(12,626)	3,323	–	1,202	–	(1,214)	–	–	17,151	(13,840)	3,311
– Other	4,556	–	4,556	–	21	–	–	–	–	4,577	–	4,577
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>												
– Asset remediation	28,057	(4,120)	23,937	–	(3,684)	–	(634)	–	–	24,372	(4,753)	19,619
<b>Total infrastructure, property, plant and equipment</b>	<b>5,500,249</b>	<b>(522,461)</b>	<b>4,977,788</b>	<b>39,901</b>	<b>69,610</b>	<b>(3,613)</b>	<b>(42,199)</b>	<b>(15,693)</b>	<b>46,909</b>	<b>5,624,148</b>	<b>(551,445)</b>	<b>5,072,703</b>

(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

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

IPPE are held at fair value.

At balance date the following classes of IPPE were stated at their fair value:

- Operational land (External Valuation)
- Buildings - (Internal Valuation)
- Plant and equipment (as approximated by depreciated historical cost)
- Road assets - roads, bridges and footpaths (External Valuation)
- Drainage assets - (Internal Valuation)
- Community and Crown land - (Valuer General/Internal Valuation)
- Other structures (External Valuation)
- Other assets (as approximated by depreciated historical cost)

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken at least every 5 years.

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 at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

### 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	4 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 8	Park Structures - Masonry	50 to 100
Heavy plant/road making equipment	5 to 8	Park Structures - Other Construction	20 to 40
Other plant and equipment	5 to 15		
		<b>Buildings</b>	
		Buildings - Masonry	50 to 100
		Buildings - Other	20 to 40
<b>Transportation assets</b>		<b>Stormwater Drainage</b>	
Sealed roads: surface	15 - 40	Drains	60 to 100
Sealed roads: structure	75 - 200		
Bridge: concrete	100		
Bridge: other	100		
Road pavements	50 to 60		
Kerb, gutter and footpaths	80	<b>Other Assets</b>	
		Library Books	5 to 15
		Artworks	indefinite

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

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

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

### Capitalisation Thresholds

All items of infrastructure, property, plant and equipment are capitalised with the exception where the cost of acquisition is as follows:

<b>Office Furniture</b>	< \$5,000
<b>Office Equipment</b>	< \$5,000
<b>Other Plant and Equipment</b>	< \$5,000

### Land under roads

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

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

### Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

### Rural Fire Service assets

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

Council has assessed that it does not control any Rural Fire Services plant and equipment. As a result, these assets and any associated depreciation expenses and non-cash contribution income are not included within these financial statements.

## C1-7 Investment properties

\$ '000	2021	2020
<b>Owned investment property</b>		
Investment property on hand at fair value	5,835	5,835
<b>Total owned investment property</b>	<b>5,835</b>	<b>5,835</b>
<b>Owned investment property</b>		
<b>At fair value</b>		
Opening balance at 1 July	5,835	5,965
Net gain/(loss) from fair value adjustments	-	(130)
<b>Closing balance at 30 June</b>	<b>5,835</b>	<b>5,835</b>

### Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

## C2 Leasing activities

### C2-1 Council as a lessee

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Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

#### **Buildings**

Council leases a building in Dee Why for the purpose of providing long day care. The lease was extended this year and now expires in 2032.

The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

#### **Office and IT equipment**

Leases for office and IT equipment are generally for low value assets, except for significant items such as the photocopiers/printers used for large scale printing, along with fibre connecting 3 Council sites. The leases are between 2 and 6 years. The payments are fixed, however some of the leases include variable payments based on usage.

#### **Plant & Equipment**

Council's waste collection service is under a lease with an external party. The lease is for 10 years starting on the 1st July 2019 and contains the dedicated use of specific vehicles allocated to the collection service. These vehicles comprise 40 large Dennis Eagle trucks and 4 smaller Hino hybrid trucks for difficult access areas. Council determines the customisation of these vehicles, and receives all the economic benefit of these trucks being in operation. The specific nature of the vehicles renders the lessor limited in their ability to substitute these vehicles.

The lease is a combination of fixed and variable fees. The variable fees are dependent on the number of bins collected for garbage, recycling and vegetation. The bulky goods clean up fees, offshore and isolated communities waste collection, and the on-line booking fee are all fixed fees per annum. The actual right of use asset comprises the 44 trucks listed above, and the stand alone value of these trucks has been calculated using readily available data.

At each anniversary of the commencement date, the prices in the contract will be adjusted in accordance with CPI for the subsequent year.

Council's childcare services lease 2 PHEV Mitsubishi Outlanders on a 3 year term.

Council's subsidiary Kimbriki Environmental Enterprises holds a lease for a Solar PV System. The lease commenced in July 2019 and has a duration of 120 months. The panels are installed at the Kimbriki site at 1 Kimbriki Road, Ingleside, and are expected to have a useful life of 20 years.

#### **Extension options**

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.



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

### (a) Right of use assets

\$ '000	<i>Plant &amp; Equipment</i>	<i>Buildings</i>	<i>Office and IT Equipment</i>	<i>Total</i>
<b>2021</b>				
Opening balance at 1 July	10,993	103	193	11,289
Depreciation charge	(1,226)	(47)	(84)	(1,357)
Adjustments due to re-measurement of lease liability	–	540	3	543
<b>Balance at 30 June</b>	<b>9,767</b>	<b>596</b>	<b>112</b>	<b>10,475</b>
<b>2020</b>				
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	149	272	421
Additions to right-of-use assets	12,215	–	–	12,215
Depreciation charge	(1,222)	(46)	(79)	(1,347)
<b>Balance at 30 June</b>	<b>10,993</b>	<b>103</b>	<b>193</b>	<b>11,289</b>

### (b) Lease liabilities

\$ '000	<i>2021 Current</i>	<i>2021 Non-current</i>	<i>2020 Current</i>	<i>2020 Non-current</i>
Lease liabilities	1,269	9,474	1,230	10,211
<b>Total lease liabilities</b>	<b>1,269</b>	<b>9,474</b>	<b>1,230</b>	<b>10,211</b>

### (c) (i) The maturity analysis

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

\$ '000	<i>&lt; 1 year</i>	<i>1 – 5 years</i>	<i>&gt; 5 years</i>	<i>Total</i>	<i>Total per Statement of Financial Position</i>
<b>2021</b>					
Cash flows	1,557	5,852	4,612	12,021	10,743
<b>2020</b>					
Cash flows	1,556	5,816	5,618	12,990	11,441

### (d) Income Statement

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

\$ '000	<i>2021</i>	<i>2020</i>
Interest on lease liabilities	317	351
Variable lease payments based on usage not included in the measurement of lease liabilities	15,417	14,339
Depreciation of right of use assets	1,357	1,347
Expenses relating to short-term leases	–	5
Expenses relating to low-value leases	277	264
	<b>17,368</b>	<b>16,306</b>

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

\$ '000	2021	2020
<b>(e) Statement of Cash Flows</b>		
Total cash outflow for leases	<u>(1,557)</u>	<u>(1,546)</u>
	<b>(1,557)</b>	<b>(1,546)</b>

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

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

### i) Council as lessee:

- Beacon Hill playing fields
- Warringah Mall library

### ii) Council as lessor:

- Surf Life Saving Clubs
- Transport for NSW B-Line Car Parks
- NSW Rural Fire Services

The leases are generally between 10 and 20 years and require payments of a maximum amount of \$100 per annum. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide and these services are detailed in the leases.

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

### Accounting policy

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

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

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

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

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

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

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

### Exceptions to lease accounting

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

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

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

## C2-2 Council as a lessor

### Operating leases

Council leases out a number of properties and plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the statement of financial position as:

- Investment Property - where the asset is held predominantly for rental or capital growth purposes (refer note C1-7).
- Property, Plant and Equipment - where the rental is incidental, or the asset is held to meet Councils service delivery objectives (refer note C1-6).

\$ '000	2021	2020
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#### (i) Assets held as investment property

Investment property operating leases relate to three buildings owned for purposes of earning investment income.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	204	310
Direct operating expenses from property that generated rental income	(24)	(18)
Direct operating expenses from property that did not generate rental income	-	(20)
<b>Total income relating to operating leases for investment property assets</b>	<b>180</b>	<b>272</b>

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

Council provides operating leases on Council buildings mainly for the purpose of road reserves and community buildings.

Lease income (excluding variable lease payments not dependent on an index or rate)	5,883	5,265
<b>Total income relating to operating leases for Council assets</b>	<b>5,883</b>	<b>5,265</b>

#### Amount of IPPE leased out by Council under operating leases

Buildings	106,480	91,680
Community & Crown Land	21,613	21,613
Operational land	830	677
<b>Total amount of IPPE leased out by Council under operating leases</b>	<b>128,923</b>	<b>113,970</b>

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

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

< 1 year	4,902	6,392
1–2 years	3,250	2,857
2–3 years	2,858	2,751
3–4 years	2,160	2,313
4–5 years	1,509	2,227
> 5 years	14,662	14,418
<b>Total undiscounted lease payments to be received <sup>1</sup></b>	<b>29,341</b>	<b>30,958</b>

(1) In 2020-21, the future lease income receivable shown is calculated based on current amounts invoiced in light of COVID-19 conditions

## C3 Liabilities of Council

### C3-1 Payables

<b>\$ '000</b>	<b>2021 Current</b>	<b>2021 Non-current</b>	<b>2020 Current</b>	<b>2020 Non-current</b>
<b>Payables</b>				
Goods and services	8,121	–	7,500	–
Accrued expenses:				
– Borrowings	168	–	228	–
– Salaries and wages	4,181	–	1,691	–
– Other expenditure accruals	11,234	–	11,098	–
Security bonds, deposits and retentions	18,332	–	17,392	–
Government departments and agencies	102	–	37	–
Prepaid rates	2,134	–	1,795	–
Other	334	200	314	250
<b>Total payables</b>	<b>44,606</b>	<b>200</b>	<b>40,055</b>	<b>250</b>
<b>Total payables</b>	<b>44,606</b>	<b>200</b>	<b>40,055</b>	<b>250</b>

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
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	11,835	9,728
<b>Total payables and borrowings</b>	<b>11,835</b>	<b>9,728</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	19,093	4,473	12,830	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4,747	5,342	1,220	6,580
<b>Total grants received in advance</b>		<b>23,840</b>	<b>9,815</b>	<b>14,050</b>	<b>6,580</b>
Deposits received in advance of services provided		2,706	–	1,732	–
<b>Total user fees and charges received in advance</b>		<b>2,706</b>	<b>–</b>	<b>1,732</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>26,546</b>	<b>9,815</b>	<b>15,782</b>	<b>6,580</b>

### Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which requires Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue.

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

### Revenue recognised (during the financial year) from opening contract liability balances

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	6,449	4,991
Operating grants (received prior to performance obligation being satisfied)	792	1,607
Deposits received in advance of services provided (e.g. Caravan park fees, hire fees)	1,732	2,452
<b>User fees and charges received in advance:</b>		
Deposits received in advance of services provided (e.g. caravan park fees, hire fees)	–	2,452
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>8,973</b>	<b>11,502</b>

### Significant changes in contract liabilities

The contract liabilities have increased from \$22.362 million in 19/20 to \$36.361 million in 20/21 primarily due to the receipt of several significant grants relating to the construction of Council controlled assets. This includes the Precinct Support Scheme funds for Frenchs Forest for \$4.624 million, B-Line Active Transport funds of \$5.713 million and Local Roads and Community Infrastructure funds of \$2.519 million.

### 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

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Loans – secured	5,033	17,293	5,137	22,319
<b>Total borrowings</b>	<b>5,033</b>	<b>17,293</b>	<b>5,137</b>	<b>22,319</b>

### (a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	27,456	(5,130)	–	–	–	–	22,326
Lease liabilities (Note C2-1b)	11,441	(1,241)	–	543	–	–	10,743
<b>Total liabilities from financing activities</b>	<b>38,897</b>	<b>(6,371)</b>	<b>–</b>	<b>543</b>	<b>–</b>	<b>–</b>	<b>33,069</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	32,619	(5,163)	–	–	–	–	27,456
Lease liability (Note C2-1b)	421	(1,195)	12,215	–	–	–	11,441
<b>Total liabilities from financing activities</b>	<b>33,040</b>	<b>(6,358)</b>	<b>12,215</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>38,897</b>

### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	5,500	500
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>5,650</b>	<b>650</b>

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

#### Drawn facilities

– Credit cards/purchase cards	27	27
<b>Total drawn financing arrangements</b>	<b>27</b>	<b>27</b>

#### Undrawn facilities

– Bank overdraft facilities	5,500	500
– Credit cards/purchase cards	123	123
<b>Total undrawn financing arrangements</b>	<b>5,623</b>	<b>623</b>

### Additional financing arrangements information

#### Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

#### Security over loans

Loans are secured over the income of Council

### C3-3 Borrowings (continued)

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#### **Accounting policy**

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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



## C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	12,020	–	11,338	–
Sick leave	373	–	414	–
Long service leave	24,338	2,432	23,447	2,225
Gratuities	8	–	9	–
Other leave	305	–	107	–
<b>Total employee benefit provisions</b>	<b>37,044</b>	<b>2,432</b>	<b>35,315</b>	<b>2,225</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	22,746	21,798
	<b>22,746</b>	<b>21,798</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

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

## C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
<b>Other provisions</b>				
Self insurance – workers compensation	762	3,057	560	2,152
<b>Sub-total – other provisions</b>	<b>762</b>	<b>3,057</b>	<b>560</b>	<b>2,152</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	41,093	–	35,287
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>41,093</b>	<b>–</b>	<b>35,287</b>
<b>Total provisions</b>	<b>762</b>	<b>44,150</b>	<b>560</b>	<b>37,439</b>

### Description of and movements in provisions

\$ '000	Other provisions		Net carrying amount
	Self insurance	Asset remediation	
<b>2021</b>			
At beginning of year	2,712	35,287	37,999
Unwinding of discount	–	1,236	1,236
Additional provisions	1,809	–	1,809
Amounts used (payments)	(702)	–	(702)
Remeasurement effects	–	4,570	4,570
Total other provisions at end of year	<b>3,819</b>	<b>41,093</b>	<b>44,912</b>
<b>2020</b>			
At beginning of year	1,893	37,745	39,638
Unwinding of discount	–	1,226	1,226
Additional provisions	1,813	–	1,813
Amounts used (payments)	(994)	–	(994)
Remeasurement effects	–	(3,684)	(3,684)
Total other provisions at end of year	<b>2,712</b>	<b>35,287</b>	<b>37,999</b>

### Nature and purpose of provisions

#### Asset remediation

Asset Remediation Provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations. Council is required by law to restore the present tip site at Kimbriki to passive open space at the end of its useful life. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Mockinya Consulting in June 2020. The projected cost of this restoration is \$118.25 million (\$121.8 million incl GST) based on the Landfill Closure and Post Closure Management Evaluation of Costs Report. As a result of current economic conditions due to the COVID- 19 pandemic, there is increased difficulty in applying a 'discount rate' to estimate the present value for such a long term liability. The NSW Independent Pricing and Regulatory Tribunal's (IPART) published discount and inflation rates from February 2021 have been used to estimate the present value of the remediation provision. Regular, ongoing reviews of these inputs are undertaken given the current level of volatility in the economy. Costs have been escalated at an inflation rate of 2.3% (IPART) and the provision has been discounted to its present value at 3.10% per annum (nominal discount rate from IPART).

#### Self-insurance

Self Insurance Provisions represent both;

- (i) Claims incurred but not reported; and
- (ii) Claims reported and estimated as a result of Council being a self insurer for Workers Compensation Claims.

Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria set out in AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Specific uncertainties relating to the final costs and the assumptions made in determining provisions for Self Insurance include:

- Claims Escalation of 2.000% - 2.500% per annum and Bond Yields of -0.030% - 2.801% per annum over a 12 year period;
- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2021;

## C3-5 Provisions (continued)

- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in standardised values as at June 2021;

The last actuarial assessment of Workers Compensation claims was undertaken in July 2021 for the 30 June 2021 provision balance, and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

### Accounting policy

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

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

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

### Asset remediation – tips

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Council also capitalises the costs of remediation as part of the landfill assets at the date the council becomes obligated to incur them under the Cost Model method - refer Note C1-6. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

### Self-insurance

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. A provision for self-insurance has been made to recognise outstanding claims.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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

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

## D Council structure

### D1 Interests in other entities

#### D1-1 Subsidiaries

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

Name of Operation/Entity	Principal place of business
Kimbriki Environmental Enterprises Pty Limited	Kimbriki Road, Ingleside, NSW

Interests in Subsidiary	Ownership 2021	Ownership 2020	Voting rights 2021	Voting rights 2020
Council's interest in Subsidiary	96.16%	96.16%	96.16%	96.16%

#### The nature and extent of significant restrictions relating to the Subsidiary

Council is the majority shareholder in Kimbriki Environmental Enterprises Pty Limited (Company). The Company commenced operating its waste and recycling business on 1 July 2009 with a lease over the Council owned site for a period of 25 years. The one minority shareholder in the Company is Mosman Council.

The Shareholder Agreement requires that a Super Majority Consent of Shareholders (majority shareholder plus one other shareholder) is required for the following decisions:

- any decision of the company to require the Councils to subscribe for further Shares to fund the continuing operation of the Company.
- any decision of the shareholders in relation to any of the following matters:

- any lease of the Kimbriki Facility from Northern Beaches Council;
- any call offer in favour of Northern Beaches Council to purchase the Kimbriki Residential Properties (assuming the Company acquires them); and
- any Collection Contract between the Company and Northern Beaches Council

Further, an Extraordinary Majority Consent of Shareholders (majority shareholder plus two other shareholders) is required for any decision relating to:

- Constitution amendment: any amendment to the constitution documents of the Company;
- Liquidation: the liquidation of winding up of the Company;
- Capital reorganisation: any reorganisation, reclassification, reconstruction, consolidation or subdivision of the capital of the Company, including any buyback or redemption of Shares, or the creation of any different class of marketable securities in the capital of the Company;
- Significant investments: any agreement by the Company to purchase any asset, make any investment or otherwise commit to a project with a value in a single case, or any number of cases with the same vendor or other contracting party (or person associated with them) in any year with an aggregate value exceeding \$2,500,000;
- Bonus issue: the issue of any bonus shares in the capital of the Company; and
- Share offers: any issue of marketable securities in the capital of the Company, except where this agreement expressly permits otherwise.

Northern Beaches Council now holds the shares of the former Manly, Pittwater and Warringah Councils and for the purposes of the Shareholder Agreement is taken to hold the position of majority shareholder and two other shareholders.

## D1-1 Subsidiaries (continued)

### Summarised financial information for the Subsidiary

\$ '000	2021	2020
<b>Summarised statement of comprehensive income</b>		
Revenue	39,689	38,834
Expenses	(36,976)	(36,291)
<b>Profit for the period</b>	<b>2,713</b>	<b>2,543</b>
<b>Total comprehensive income <sup>(1)</sup></b>	<b>2,713</b>	<b>2,543</b>
(1) Non-controlling interest share	104	97
Dividends Paid to NCI	154	–
<b>Summarised statement of financial position</b>		
Current assets	27,030	26,866
Non-current assets	33,014	33,593
<b>Total assets</b>	<b>60,044</b>	<b>60,459</b>
Current liabilities	8,083	8,166
Non-current liabilities	22,367	21,406
<b>Total liabilities</b>	<b>30,450</b>	<b>29,572</b>
<b>Net assets <sup>(2)</sup></b>	<b>29,594</b>	<b>30,887</b>
(2) Non-controlling interest share	1,136	1,186
<b>Summarised statement of cash flows</b>		
Cash flows from operating activities	9,098	6,980
Cash flows from investing activities	(3,065)	(4,105)
Cash flows from financing activities	(4,610)	(579)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,423</b>	<b>2,296</b>

### Accounting policy for subsidiaries

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

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

## D1-2 Associates and Joint Ventures

Council held an immaterial interest in the Premsure insurance pool. The fund has closed and the distributed funds due to Council are \$74k.

## E Risks and accounting uncertainties

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

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

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

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.

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

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

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

The risks associated with the instruments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,464	1,535
Impact of a 10% movement in price of investments		
– Equity / Income Statement	83	78

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

### (b) Credit risk

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

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

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

There are no significant concentrations of credit risk. The level of outstanding receivables is reported to Council quarterly and benchmarks are set and monitored for acceptable collection performance.

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

Council makes suitable provision for doubtful receivables as required.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	<i>Not yet overdue</i>	<i>&lt; 1 year overdue</i>	<i>1 - 2 years overdue</i>	<i>2 - 5 years overdue</i>	<i>&gt; 5 years overdue</i>	<i>Total</i>
<b>2021</b>						
Gross carrying amount	–	4,258	1,047	1,189	1,377	7,871
2020						
Gross carrying amount	–	4,914	718	1,010	1,246	7,888

#### 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>&gt; 91 days overdue</i>	<i>Total</i>
<b>2021</b>						
Gross carrying amount	7,576	411	290	256	1,450	9,983
Expected loss rate (%)	2.44%	6.08%	10.69%	6.25%	27.45%	6.56%
<b>ECL provision</b>	<b>185</b>	<b>25</b>	<b>31</b>	<b>16</b>	<b>398</b>	<b>655</b>
2020						
Gross carrying amount	6,564	418	208	329	2,027	9,546
Expected loss rate (%)	1.55%	4.31%	4.33%	5.17%	30.14%	7.93%
<b>ECL provision</b>	<b>102</b>	<b>18</b>	<b>9</b>	<b>17</b>	<b>611</b>	<b>757</b>



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

### (c) Liquidity risk

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

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

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

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>&gt; 5 Years</i>		
<b>2021</b>							
Trade/other payables <sup>1.</sup>	0.00%	18,332	24,140	200	–	42,672	42,672
Loans and advances	4.03%	–	5,033	12,369	4,924	22,326	22,326
<b>Total financial liabilities</b>		<b>18,332</b>	<b>29,173</b>	<b>12,569</b>	<b>4,924</b>	<b>64,998</b>	<b>64,998</b>
<b>2020</b>							
Trade/other payables <sup>1.</sup>	0.00%	17,392	20,868	250	–	38,510	38,510
Loans and advances	4.26%	–	5,137	15,413	6,906	27,456	27,456
<b>Total financial liabilities</b>		<b>17,392</b>	<b>26,005</b>	<b>15,663</b>	<b>6,906</b>	<b>65,966</b>	<b>65,966</b>

### Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

(1.) Excludes Prepaid rates on the basis that this amount is not anticipated to be paid out to the ratepayers

## E2-1 Fair value measurement

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

- infrastructure, property, plant and equipment
- investment property
- financial assets and liabilities

During the reporting period Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets need to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

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).

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
At fair value through profit or loss		826	779	–	–	826	779
<b>Total financial assets</b>		<b>826</b>	<b>779</b>	<b>–</b>	<b>–</b>	<b>826</b>	<b>779</b>
<b>Investment property</b>							
	C1-7						
Commercial Office and Retail		5,835	5,835	–	–	5,835	5,835
<b>Total investment property</b>		<b>5,835</b>	<b>5,835</b>	<b>–</b>	<b>–</b>	<b>5,835</b>	<b>5,835</b>
<b>Infrastructure, property, plant and equipment</b>							
	C1-6						
Plant & Equipment		–	–	26,002	27,572	26,002	27,572
Office Equipment		–	–	4,292	6,682	4,292	6,682
Furniture & Fittings		–	–	249	153	249	153
Operational Land		383,584	435,251	–	–	383,584	435,251
Community & Crown Land		–	–	2,116,454	2,111,810	2,116,454	2,111,810
Land Under Roads		–	–	725	721	725	721
Land Improvements - Depreciable		–	–	13,619	9,746	13,619	9,746
Buildings		–	–	505,944	495,979	505,944	495,979
Roads Sealed		–	–	477,812	476,769	477,812	476,769
Roads Unsealed		–	–	1,659	1,499	1,659	1,499
Other Road Assets		–	–	211,655	207,821	211,655	207,821
Bridges		–	–	9,049	9,155	9,049	9,155
Footpaths		–	–	108,018	102,107	108,018	102,107
Drainage Infrastructure		–	–	814,096	817,332	814,096	817,332
Swimming Pools		–	–	23,730	22,629	23,730	22,629
Other Open Space/Recreational Assets		–	–	115,499	115,501	115,499	115,501
Other Infrastructure		–	–	181,780	179,563	181,780	179,563
Library Books		–	–	3,576	3,311	3,576	3,311
Other		–	–	4,770	4,577	4,770	4,577
Remediation asset		–	–	23,409	19,619	23,409	19,619

continued on next page ...

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## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
<b>Total infrastructure, property, plant and equipment</b>		<b>383,584</b>	435,251	<b>4,642,338</b>	4,612,546	<b>5,025,922</b>	5,047,797

### Valuation techniques

#### Level 2 measurements

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 2 asset class fair values.

\$ '000	Fair value (30/6/21)	Valuation technique/s	Unobservable inputs
Investments - at fair value through profit or loss	826	Indicative market valuation advice from an independent external investment advisor	Weighted average life of the security, any current trading activity, information on credit quality, relevant economic and market information and information received from the Trustee in relation to these securities
Investment properties	5,835	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls
Operational Land	383,584	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls

## E2-1 Fair value measurement (continued)

### Fair value measurements using significant unobservable inputs (level 3)

#### b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

<b>\$ '000</b>	<b>Fair value (30/6/21) 2021</b>	<b>Valuation technique/s</b>	<b>Unobservable inputs</b>
<b>Infrastructure, property, plant and equipment</b>			
Plant & Equipment, Office Equipment, Furniture & Fittings, Library Books and Other Assets	38,889	Depreciated historical cost assessed as fair value	Asset condition and remaining useful life
Community Land and Crown Land	2,116,454	Land values obtained from the NSW Valuer-General with internal assessment for reasonableness of VG value with adjustments where required.	VG value (price per square metre)
Land Under Roads	725	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset	VG value (price per square metre)
Land Improvements - Depreciable	13,619	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	505,944	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	477,812	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Unsealed	1,659	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Other Assets	211,655	Unit rates per m2 and length	Asset condition and remaining useful life
Bridges	9,049	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	108,018	Unit rates per m2 and length	Asset condition and remaining useful life
Drainage Infrastructure	814,096	Unit rates per m2 and length	Asset condition and remaining useful life
Swimming Pools	23,730	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	115,499	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	181,780	Replacement cost used to approximate fair value	Asset condition and remaining useful life

## E2-1 Fair value measurement (continued)

\$ '000	<i>Fair value (30/6/21) 2021</i>	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Asset Remediation	23,409	Cost model applied using Landfill Closure and Post Closure Report and Cost Estimate prepared by independent expert	Remaining life of site, pattern of consumption and potential latent conditions

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

\$ '000	<i>Total IPP&amp;E</i>	
	<i>2021</i>	<i>2020</i>
<b>Opening balance</b>	<b>4,612,546</b>	4,515,673
<b>Total gains or losses for the period</b>		
Recognised in profit or loss – realised (refer to Note B4-1)	<b>(1,632)</b>	136
<b>Other movements</b>		
Purchases	<b>60,902</b>	90,112
Sales	<b>(2,276)</b>	(2,337)
Depreciation and impairment	<b>(46,049)</b>	(42,199)
Other Movements	<b>8,008</b>	4,252
Revaluations	<b>10,839</b>	46,909
<b>Closing balance</b>	<b>4,642,338</b>	4,612,546

## E3-1 Contingencies

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

### 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. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils. Further information is provided under d) below.

##### a) **Description of the funding arrangements, including the method used to determine Council's rate of contributions and any minimum funding requirements.**

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund. The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are 1.9 times employee contributions.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

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

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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

- i) Wind-up of the plan  
There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.
- ii) Council's withdrawal from the plan  
There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

##### d) **Additional information under paragraph 34 of AASB 119**

- i) The plan is a defined benefit plan
- ii) The reasons why sufficient information is not available to enable the Council to account for the plan as a defined benefit plan is as follows:
  1. 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;
  2. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
  3. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.  
Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.
- iii) The expected contributions of fee plan for the next annual reporting period are \$1,546,909.

## E3-1 Contingencies (continued)

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

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

Employer reserves only*	\$millions	Asset Coverage
Assets	2,620.50	
Past Service Liabilities	2,445.60	107.20%
Vested Benefits	2,468.70	106.20%

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

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

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. 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.

- v) An indication of the level of participation of Council in the plan compared with other participating entities. Council's additional lump sum contribution per annum of \$1,002,400 as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) is 2.51% which provides an indication of the level of participation of Council compared with other employers in the Pooled Employer subgroup.

### (ii) Statewide Limited

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

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

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

### (iii) Workers Compensation

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. Council provides bank guarantees to the value of \$3,281,000 to secure its self-insurance licence for workers compensation. The guarantee is provided to the State Insurance Regulatory Authority.

### (iv) Other guarantees

Kimbriki Environmental Enterprises Pty Ltd has provided a bank guarantee in the amount of \$1,000,000 to the Environmental Protection Authority as a condition to the granting of a licence to operate a dry waste facility. The amount may be drawn down by the authority if licence conditions are not met. It is not expected that this amount will be drawn down.

Council has provided two bank guarantees totalling \$904,085 to Sydney Water in relation to on-going capital work projects as security against damage to their nearby assets. It is not expected that this amount will be drawn down.

## 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.

## E3-1 Contingencies (continued)

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

### (ii) S7.11 and S7.12 Plans

Council has significant obligations to provide Section 7.11 and Section 7.12 infrastructure. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference. (Refer Note G-3).

### (iii) Legal Expenses

Council, the Sydney North Planning Panel and the Northern Beaches Local Planning Panel are ordinarily the planning consent authorities for the Northern Beaches local government area under the Environmental Planning & Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council or the panels may appeal to the Land & Environment Court. In relation to a determination by a panel, Council is to be the respondent to the appeal but is subject to the control and direction of the panel in connection with the conduct of the appeal. The Act also provides an entitlement for any person to commence proceedings to remedy or restrain a breach of the Act in civil enforcement and judicial review proceedings. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In class 4 (or judicial review) proceedings, costs usually follow the event.

At 30 June 2021, Council was party to 25 Class 1 appeals and 2 Class 4 appeals in the Land & Environment Court. All known costs have been recognised, however the amount of further costs cannot be known until the appeals are determined.

Council is involved in other litigation (including civil liability proceedings and Local Court prosecutions). Whilst these matters are unlikely to cost Council in excess of \$100,000 individually the amount of further costs cannot be known until these proceedings are concluded.

### (iv) 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) 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.

### (ii) Storm Damage Assistance

In the 2019-20 financial year, Council experienced two major storm events in November 2019 and February 2020. Council is able to claim from the State Government under the Natural Disaster Relief funding arrangement and will be pursuing the recovery of the claimable expenditure in the order of \$1.2 million.



## F People and relationships

### F1 Related party disclosures

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

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP roles comprise one Chief Executive Officer, six Directors, and two Public Officers.

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	3,574	3,402
Post-employment benefits	188	179
Other long-term benefits	96	98
<b>Total</b>	<b>3,858</b>	<b>3,679</b>

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

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

During the financial years 2019-20 and 2020-21 there were no other transactions with KMP and their related parties.

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

\$ '000	2021	2020
Council has 15 Councillors including the Mayor. The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	89	89
Councillors' fees	456	456
Other Councillors' expenses (including Mayor)	50	114
<b>Total</b>	<b>595</b>	<b>659</b>

## F1-3 Other related parties

<b>\$ '000</b>	<b>Transactions during the year</b>	<b>Outstanding balances including commitments</b>	<b>Terms and conditions</b>
<b>2021</b>			
<b>Subsidiary - Kimbriki Environmental Enterprises Pty Limited</b>			
Tipping Fees	12,466	875	
Lease Income	3,168	288	Payable on the 1st of each month
Dividends	3,853	-	
<b>2020</b>			
<b>Subsidiary - Kimbriki Environmental Enterprises Pty Limited</b>			
Tipping Fees	12,448	2,697	
Lease Income	3,084	584	Payable on the 1st of each month
Dividends	-	-	

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
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During the year, the following fees were incurred for services provided by the auditor of Council.

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

##### (i) Audit and other assurance services

Audit and review of financial statements	222	220
<b>Remuneration for audit and other assurance services</b>	<b>222</b>	<b>220</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>91</b>	18,649
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	47,406	43,546
Net losses/(gains) on disposal of assets	1,579	(6)
Non-cash capital grants and contributions	(820)	(13,649)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(67)	(26)
– Investment property	–	130
Unwinding of discount rates on reinstatement provisions	1,236	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(420)	3,543
Increase/(decrease) in provision for doubtful debts	(103)	32
Decrease/(increase) in inventories	25	(29)
Decrease/(increase) in other assets	(452)	(287)
Increase/(decrease) in payables	621	(1,783)
Increase/(decrease) in accrued interest payable	(60)	(78)
Increase/(decrease) in other accrued expenses payable	2,626	(3,258)
Increase/(decrease) in other liabilities	1,314	(523)
Increase/(decrease) in contract liabilities	13,999	(5,574)
Increase/(decrease) in employee leave entitlements	1,936	2,354
Increase/(decrease) in other provisions	5,677	(1,639)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>74,588</b>	<b>41,402</b>

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

Non Cash Contributions - Land and Infrastructure	820	13,649
<b>Total non-cash investing and financing activities</b>	<b>820</b>	<b>13,649</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Land and Buildings <sup>1</sup>	<b>16,275</b>	2,604
Plant and equipment	<b>956</b>	992
Infrastructure	<b>8,447</b>	8,168
<b>Total commitments</b>	<b>25,678</b>	11,764

#### Details of capital commitments

Contractual commitments for capital works currently being undertaken.

(1) Significant increase of Land and Buildings capital commitments due to purchase orders raised for Mona Vale Surf Life Saving Club \$8.4 million and Long Reef Surf Life Saving Club \$6.6 million

## G3 Statement of developer contributions as at 30 June 2021

### G3-1 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					
Drainage	6,092	24	451	44	(667)	–	5,944	–
Roads	(5,613)	40	–	(43)	(236)	–	(5,852)	–
Open space	3,959	41	–	19	(1,400)	–	2,619	–
Community facilities	8,348	30	–	56	(794)	–	7,640	–
Other	606	2	–	5	(46)	–	567	–
Local Infrastructure (Repealed Plan)	6,451	614	–	46	(2,317)	–	4,794	–
<b>S7.11 contributions – under a plan</b>	<b>19,843</b>	<b>751</b>	<b>451</b>	<b>127</b>	<b>(5,460)</b>	<b>–</b>	<b>15,712</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>10,279</b>	<b>6,874</b>	<b>–</b>	<b>93</b>	<b>(4,900)</b>	<b>–</b>	<b>12,346</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>30,122</b>	<b>7,625</b>	<b>451</b>	<b>220</b>	<b>(10,360)</b>	<b>–</b>	<b>28,058</b>	<b>–</b>
S7.11 not under plans	136	–	–	–	(49)	–	87	–
S7.4 planning agreements	1,883	–	–	13	(427)	–	1,469	–
Less: Land	(121)	–	–	–	49	–	(72)	–
<b>Total contributions</b>	<b>32,020</b>	<b>7,625</b>	<b>451</b>	<b>233</b>	<b>(10,787)</b>	<b>–</b>	<b>29,542</b>	<b>–</b>

## G3-2 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					
<b>Former Manly Council - Residential (2005 plan)</b>								
Local Infrastructure (Repealed Plan)	2,783	317	-	21	(987)	-	2,134	-
<b>Total</b>	<b>2,783</b>	<b>317</b>	<b>-</b>	<b>21</b>	<b>(987)</b>	<b>-</b>	<b>2,134</b>	<b>-</b>
<b>Former Manly Council - Manly Precinct/Commercial (2005 plan)</b>								
Local Infrastructure (Repealed Plan)	938	(55)	-	6	(287)	-	602	-
<b>Total</b>	<b>938</b>	<b>(55)</b>	<b>-</b>	<b>6</b>	<b>(287)</b>	<b>-</b>	<b>602</b>	<b>-</b>
<b>Former Manly Council - Other Precincts (2005 plan)</b>								
Local Infrastructure (Repealed Plan)	20	11	-	-	(31)	-	-	-
<b>Total</b>	<b>20</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Former Manly Council - Parking (2005 plan)</b>								
Local Infrastructure (Repealed Plan)	1,997	-	-	15	(443)	-	1,569	-
<b>Total</b>	<b>1,997</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>(443)</b>	<b>-</b>	<b>1,569</b>	<b>-</b>
<b>Former Manly Council - Other Manly (1999 plans)</b>								
Local Infrastructure (Repealed Plan)	179	-	-	-	(179)	-	-	-
<b>Total</b>	<b>179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(179)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Former Manly Council - Tourist Developments (2005 plan)</b>								
Local Infrastructure (Repealed Plan)	109	-	-	-	(109)	-	-	-
<b>Total</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Former Pittwater Council - Contribution Plan Number 2 - Open space, bushland and recreation</b>								
Local Infrastructure (Repealed Plan)	182	148	-	2	(132)	-	200	-
<b>Total</b>	<b>182</b>	<b>148</b>	<b>-</b>	<b>2</b>	<b>(132)</b>	<b>-</b>	<b>200</b>	<b>-</b>
<b>Former Pittwater Council - Contribution Plan Number 3 - Public library services</b>								
Local Infrastructure (Repealed Plan)	30	34	-	-	(56)	-	8	-
<b>Total</b>	<b>30</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>-</b>	<b>8</b>	<b>-</b>
<b>Former Pittwater Council - Contribution Plan Number 18 - Community service facilities</b>								
Local Infrastructure (Repealed Plan)	-	60	-	-	-	(25)	35	-
<b>Total</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25)</b>	<b>35</b>	<b>-</b>

## G3-2 Developer contributions by plan (continued)

\$ '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					
<b>Former Pittwater Council - Contribution Plan Number 19 - Village streetscape</b>								
Local Infrastructure (Repealed Plan)	213	99	–	2	(93)	25	246	–
<b>Total</b>	<b>213</b>	<b>99</b>	<b>–</b>	<b>2</b>	<b>(93)</b>	<b>25</b>	<b>246</b>	<b>–</b>
<b>Former Pittwater Council - Contribution Plan Number 4 to 10 &amp; 15 - Warriewood Valley and material public works</b>								
Drainage	6,092	24	451	44	(667)	–	5,944	–
Roads	(5,613)	40	–	(43)	(236)	–	(5,852)	–
Open space	3,959	41	–	19	(1,400)	–	2,619	–
Community facilities	8,348	30	–	56	(794)	–	7,640	–
Other	(403)	2	–	(3)	(46)	–	(450)	–
<b>Total</b>	<b>12,383</b>	<b>137</b>	<b>451</b>	<b>73</b>	<b>(3,143)</b>	<b>–</b>	<b>9,901</b>	<b>–</b>
<b>Dee Why Town Centre Contributions Plan</b>								
Other	1,009	–	–	8	–	–	1,017	–
<b>Total</b>	<b>1,009</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>1,017</b>	<b>–</b>
<b>S7.12 Levies – under a plan</b>								
<b>Former Warringah Council - s7.12 contribution plan</b>								
Local Infrastructure (Repealed Plan)	7,942	118	–	59	(1,803)	–	6,316	–
<b>Total</b>	<b>7,942</b>	<b>118</b>	<b>–</b>	<b>59</b>	<b>(1,803)</b>	<b>–</b>	<b>6,316</b>	<b>–</b>
<b>Northern Beaches Council - s7.12 contribution plan</b>								
Other	2,337	6,756	–	34	(3,097)	–	6,030	–
<b>Total</b>	<b>2,337</b>	<b>6,756</b>	<b>–</b>	<b>34</b>	<b>(3,097)</b>	<b>–</b>	<b>6,030</b>	<b>–</b>



### G3-3 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					
<b>Former Manly Council</b>								
Local Infrastructure (Repealed Plan)	15	-	-	-	-	-	15	-
<b>Total</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>
<b>Former Warringah Council</b>								
Land	121	-	-	-	(49)	-	72	-
<b>Total</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49)</b>	<b>-</b>	<b>72</b>	<b>-</b>

### G3-4 S7.4 planning agreements

Other	1,883	-	-	13	(427)	-	1,469	-
<b>Total</b>	<b>1,883</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(427)</b>	<b>-</b>	<b>1,469</b>	<b>-</b>

## G4 Statement of performance measures

### G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(24,826)</b>	<b>(7.32)%</b>	(4.93)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>339,178</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>319,718</b>	<b>87.42%</b>	84.85%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>365,722</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>133,111</b>	<b>1.69x</b>	2.09x	>1.50x
Current liabilities less specific purpose liabilities	<b>78,924</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>25,185</b>	<b>2.81x</b>	3.72x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>8,976</b>			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	<b>8,914</b>	<b>3.92%</b>	4.12%	<5.00%
Rates and annual charges collectable	<b>227,344</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>146,412</b>	<b>5.20 mths</b>	5.39 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>28,135</b>			

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

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Northern Beaches Council**

To the Councillors of the Northern Beaches Council

## Opinion

I have audited the accompanying financial statements of Northern Beaches 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. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Karen Taylor  
Delegate of the Auditor-General for New South Wales

29 September 2021  
SYDNEY



Mayor  
Northern Beaches Council  
PO BOX 82  
MANLY NSW 1655

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D2119799/1772

29 September 2021

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2021  
Northern Beaches Council**

I have audited the general purpose financial statements (GPFS) of the Northern Beaches 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.

## INCOME STATEMENT

### Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	218.2	208.6	↑ 4.6
Grants and contributions revenue	46.0	55.4	↓ 17.0
Operating result from continuing operations	0.91	18.6	↓ 95.1
Net operating result before capital grants and contributions	(26.5)	(16.5)	↓ 60.6

Rates and annual charges revenue (\$218.2 million) increased by \$9.6 million (4.6 per cent) in 2020–21 due to \$4.9 million increase in domestic waste charges and rate peg increase of 2.6 per cent.

Grants and contributions revenue (\$46.0 million) decreased by \$9.4 million (17 per cent) in 2020–21 due to:

- higher revenue in the prior year due to \$11.8 million in asset dedications from Transport for NSW
- \$0.6 million decrease in specific purpose operational grants received throughout the year
- \$4.2 million increase in specific purpose capital grants received throughout the year.

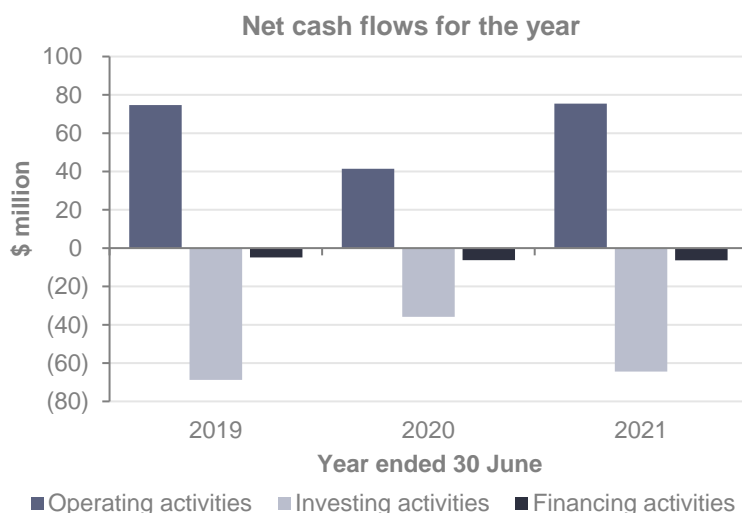
The Council's operating result from continuing operations (\$0.91 million including depreciation and amortisation expense of \$47.4 million) was \$17.7 million lower than the 2019–20 result. This was mainly due to:

- COVID-19 pandemic has impacted revenue streams for services and resulted in additional costs to support the community and businesses, including a subsidy on rates notices
- a one off \$6.7 million settlement of a legal case.

The net operating result before capital grants and contributions (loss of \$26.5 million) was \$9.9 million lower than the 2019–20 result. The prior year was a higher than usual year with \$21.8 million increase in capital grants revenue compared to 2018–19.

## STATEMENT OF CASH FLOWS

Cash balances have increased as grants and contributions cash flows increased while COVID-19 delayed completion of projects which results in a timing difference with revenue recognition in the income statement. Net cash used in investing activities increased in the current year and net cash in financing activities was static.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>147.2</b>	<b>154.3</b>	Externally restricted balances include developer contributions and domestic waste management charges.
Restricted cash and investments:			Balances are internally restricted due to Council policy or decisions for forward plans including works program.
• External restrictions	30.8	39.0	
• Internal restrictions	83.4	71.5	

## Debt

At 30 June 2021, Council had:

- \$22.3 million in secured loans (\$27.4 million in 2019–20)
- \$5.5 million approved bank overdraft with nil drawn down.

## PERFORMANCE

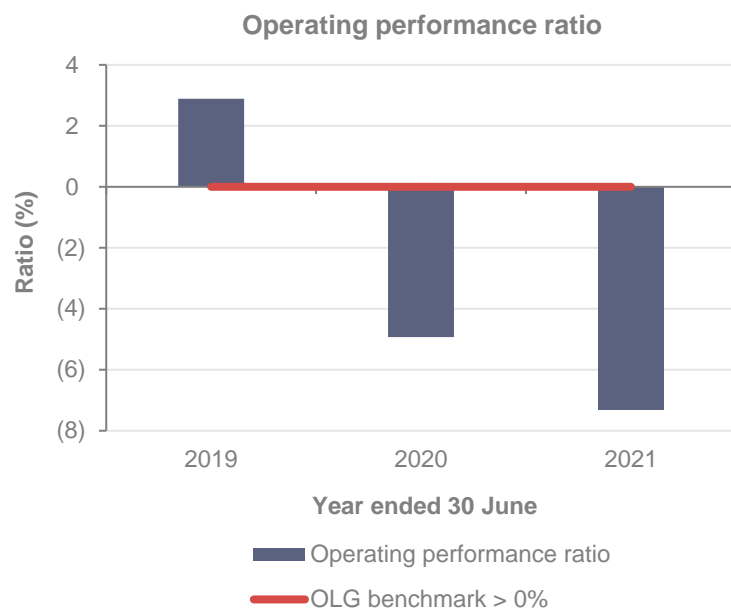
### Performance measures

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 Council did not meet the OLG benchmark for the current financial year. The negative result in recent years is mainly due to COVID-19 leading to lower revenues from user fees and charges and other revenues.

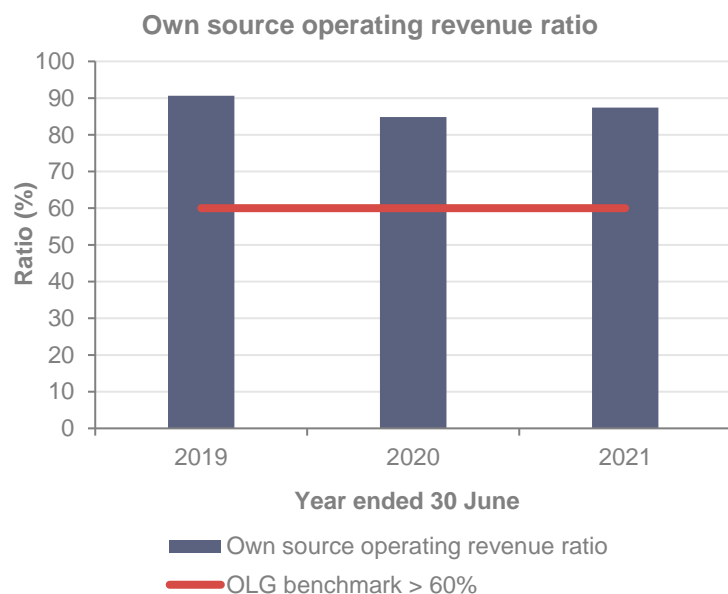
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



#### Own source operating revenue ratio

The Council exceeded the OLG benchmark for the current financial year.

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

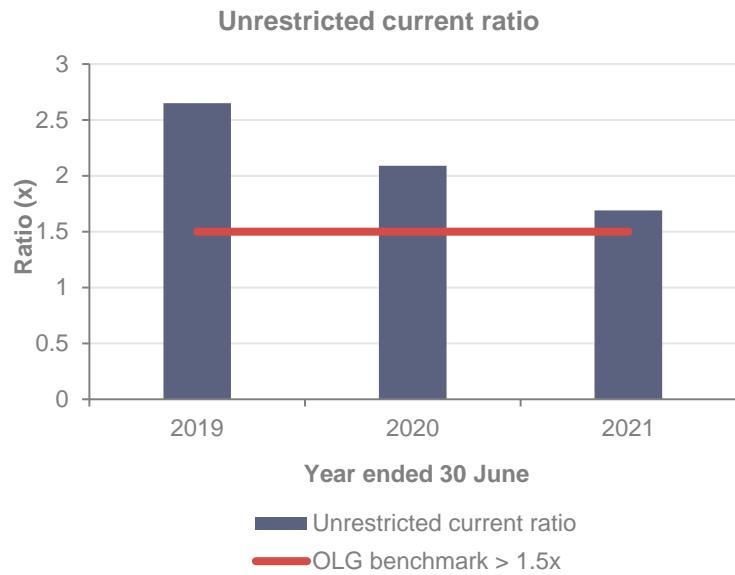




### Unrestricted current ratio

The Council exceeded the OLG benchmark for the current financial year.

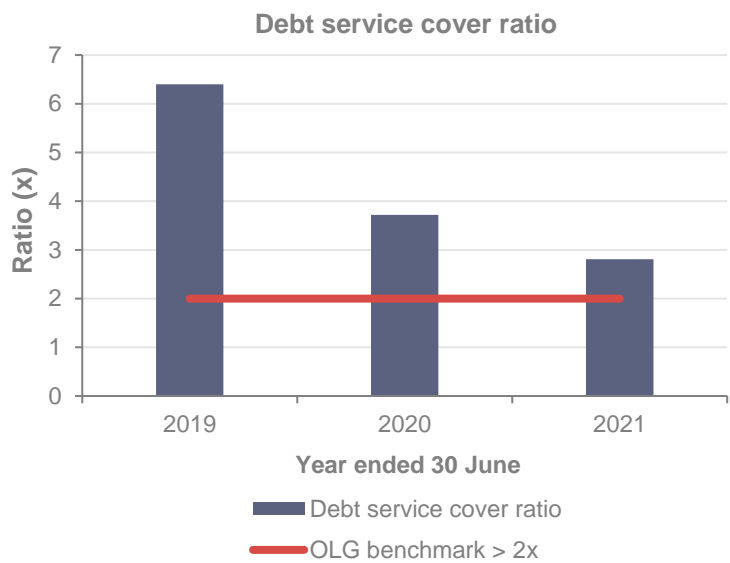
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

The Council exceeded the OLG benchmark for the current financial year.

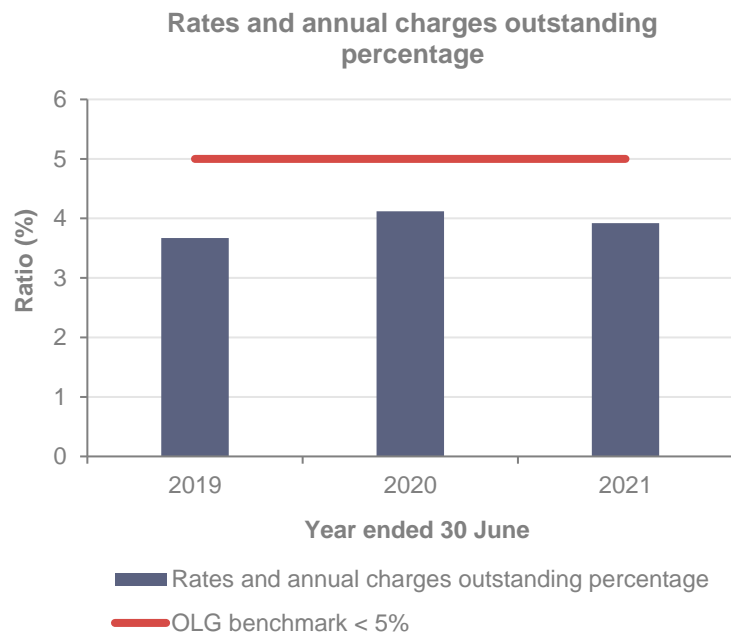
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

The Council met the OLG benchmark for the current financial year.

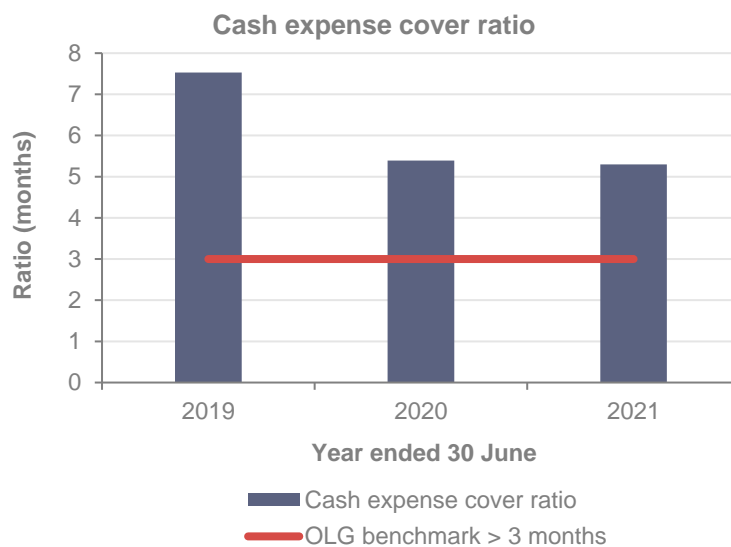
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



### Cash expense cover ratio

The Council exceeded the OLG benchmark for the current financial year.

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



### Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$43.6 million in 2020–21 (\$39.9 million in 2019–20), including \$9.7 million on buildings and \$10.8 million on road renewals
- during 2020–21 \$47.4 million (\$69.6 million in 2019–20) was spent on new assets including \$5.5 million on footpaths.

## Legislative compliance

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

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



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Northern Beaches Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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*Partnering with the community to  
protect, improve and create our future*



northern  
beaches  
council

# Northern Beaches Council

## Special Schedules

for the year ended 30 June 2021

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Report on infrastructure assets as at 30 June 2021	103
<b>Auditor's report on permissible income for general rates</b>	<b>105</b>

## Northern Beaches Council

### Permissible income for general rates

\$ '000	2020/21 Former Manly Council	2020/21 Former Pittwater Council	2020/21 Former Warringah Council	2020/21 Northern Beaches Council	2021/22 Northern Beaches Council
<b>Notional general income calculation <sup>1</sup></b>					
Last year notional general income yield	30,835	43,103	93,962	167,900	173,165
Plus or minus adjustments <sup>2</sup>	46	78	728	852	477
<b>Notional general income</b>	<b>30,881</b>	<b>43,181</b>	<b>94,690</b>	<b>168,752</b>	<b>173,642</b>
<b>Permissible income calculation</b>					
Rate peg percentage	2.60%	2.60%	2.60%		2.00%
Plus rate peg amount	803	1,123	2,462	4,388	3,473
<b>Sub-total</b>	<b>31,684</b>	<b>44,304</b>	<b>97,152</b>	<b>173,140</b>	<b>177,115</b>
Plus (or minus) last year's carry forward total	-	10	15	25	-
<b>Sub-total</b>	<b>-</b>	<b>10</b>	<b>15</b>	<b>25</b>	<b>-</b>
<b>Total permissible income</b>	<b>31,684</b>	<b>44,314</b>	<b>97,167</b>	<b>173,165</b>	<b>177,115</b>
Less notional general income yield	31,684	44,314	97,167	173,165	177,226
<b>Catch-up or (excess) result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111)</b>
Plus income lost due to valuation objections claimed <sup>3</sup>	-	-	-	-	113
<b>Carry forward to next year <sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Northern Beaches Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	5,710	5,710	13,147	17,038	505,944	694,661	55.0%	37.3%	6.3%	0.4%	0.9%
	<b>Sub-total</b>	<b>5,710</b>	<b>5,710</b>	<b>13,147</b>	<b>17,038</b>	<b>505,944</b>	<b>694,661</b>	<b>55.0%</b>	<b>37.3%</b>	<b>6.3%</b>	<b>0.4%</b>	<b>0.9%</b>
Roads	Sealed roads	7,955	7,955	7,878	7,861	477,813	537,899	47.6%	36.5%	12.5%	3.1%	0.4%
	Unsealed roads	39	39	13	24	1,659	1,910	24.1%	64.5%	6.2%	5.1%	0.0%
	Bridges	–	–	43	7	9,049	12,436	21.8%	77.4%	0.8%	0.0%	0.0%
	Footpaths	428	428	1,924	2,181	108,018	120,869	32.8%	51.0%	15.4%	0.7%	0.1%
	Other road assets	2,766	2,766	2,995	2,889	211,654	252,114	6.6%	64.9%	26.1%	2.0%	0.4%
	<b>Sub-total</b>	<b>11,188</b>	<b>11,188</b>	<b>12,853</b>	<b>12,962</b>	<b>808,193</b>	<b>925,228</b>	<b>34.1%</b>	<b>46.7%</b>	<b>16.4%</b>	<b>2.4%</b>	<b>0.4%</b>
Stormwater drainage	Stormwater drainage	17,393	17,393	3,679	2,759	814,096	980,704	6.5%	67.4%	21.9%	3.9%	0.3%
	<b>Sub-total</b>	<b>17,393</b>	<b>17,393</b>	<b>3,679</b>	<b>2,759</b>	<b>814,096</b>	<b>980,704</b>	<b>6.5%</b>	<b>67.4%</b>	<b>21.9%</b>	<b>3.9%</b>	<b>0.3%</b>
Open space / recreational assets	Swimming pools	281	281	1,600	998	23,730	28,831	25.7%	31.1%	41.0%	2.0%	0.2%
	Other	745	745	5,119	6,037	115,499	133,538	35.3%	50.5%	12.9%	1.0%	0.2%
	<b>Sub-total</b>	<b>1,026</b>	<b>1,026</b>	<b>6,719</b>	<b>7,035</b>	<b>139,229</b>	<b>162,369</b>	<b>33.6%</b>	<b>47.1%</b>	<b>17.9%</b>	<b>1.2%</b>	<b>0.2%</b>
Other infrastructure assets	Other	1,921	1,921	4,799	4,090	181,780	215,764	16.4%	60.4%	21.3%	1.7%	0.3%
	<b>Sub-total</b>	<b>1,921</b>	<b>1,921</b>	<b>4,799</b>	<b>4,090</b>	<b>181,780</b>	<b>215,764</b>	<b>16.4%</b>	<b>60.4%</b>	<b>21.3%</b>	<b>1.7%</b>	<b>0.3%</b>
<b>Total – all assets</b>		<b>37,238</b>	<b>37,238</b>	<b>41,197</b>	<b>43,884</b>	<b>2,449,242</b>	<b>2,978,726</b>	<b>28.6%</b>	<b>52.3%</b>	<b>16.3%</b>	<b>2.3%</b>	<b>0.5%</b>

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

## Northern Beaches Council

## Report on infrastructure assets as at 30 June 2021

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>Buildings and infrastructure renewals ratio</b>				
Asset renewals <sup>1</sup>	37,230	117.21%	121.34%	>100.00%
Depreciation, amortisation and impairment	31,764			
<b>Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	37,238	1.50%	1.37%	<2.00%
Net carrying amount of infrastructure assets <sup>2</sup>	2,485,471			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	43,884	106.52%	107.92%	>100.00%
Required asset maintenance	41,197			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	37,238	1.25%	1.15%	
Gross replacement cost	2,978,726			

(\*) 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.

(2) 2019/20 has been re-stated as this item now includes work in progress (WIP)





## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Northern Beaches Council

To the Councillors of Northern Beaches Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Northern Beaches 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 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.

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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



Karen Taylor  
Delegate of the Auditor-General for New South Wales

29 September 2021  
SYDNEY