



Financial Statements

1 July 2022 to 30 June 2023



northern
beaches
council

Northern Beaches Council

Financial Commentary 2022/23

Introduction

Council met all financial and asset performance benchmarks set by the Office of Local Government for the 2022/23 financial year and achieved an operating surplus of \$51.7m. The operating result was a surplus of \$17.8m after excluding grants and contributions received for capital purposes.

The surplus from operations contributed towards the funding required to deliver the capital works program and repay loans. The operating surplus also includes funds restricted for future purposes.

Both income and operating expenses were higher than the previous year (income \$17m (4.3%); operating expenses \$27m (7.9%)). Principal items impacting the operating result including capital grants and contributions were:

- **COVID-19 recovery:** \$8.3m net favourable improvement in result (income \$9.4m ▲ less expenses \$1.1m ▲) as a result of COVID-19 impacted services returning to pre-pandemic levels, especially aquatic centres (\$1.8m ▲), Sydney Lakeside Holiday Park (\$1.8m ▲) and paid parking (\$2.7m ▲). Community support through subsidies were also reduced (\$2.0m ▼).
- **Interest and investment income:** \$5.8m higher than the previous financial year as a result of rapidly increasing interest rates (half of the returns on investments relate to restricted funds).
- **Financial Assistance Grant:** \$1.0m higher mainly due to changes in the portion of the grant that was paid in advance. Specifically, 25% of the 2023 grant was paid in the 2023 year (\$2.3m) along with 100% of the 2024 allocation (\$9.4m).
- **Emergency Services Levy:** \$3.0m increase in the net cost. The levy expense increased by \$1.4m and no grant was received from the NSW Government to assist in offsetting the cost (whereas a \$1.6m grant was paid in 2022).
- **Capital grants and contributions:** \$10m decrease in 2023. The 2022 year included several large grant funded projects including Local Roads & Community Infrastructure program (\$7.4m – decrease of \$5.9m) and Safer Schools Infrastructure (\$4.7m – decrease of \$4.3m).
- **One-off favourable items in 2022:** Employee costs were lower in 2022 due to the remeasurement of employee leave entitlements to reflect significant changes in economic measures impacting these future payments. 2022 income included a confidential insurance settlement.

Financial snapshot

\$391.5m Income ¹	\$373.8m Operating expenses	\$17.8m Operating surplus ^{1,2}
\$33.9m Capital grants & contributions	\$82.9m Capital expenditure	\$4.8m Loan repayments
\$38.9m Unrestricted cash	\$5,413.8m Infrastructure, plant, property and equipment	\$12.5m Closing loan balance

¹ Excludes grants and contributions received for capital purposes

² Numbers presented may not sum precisely to the total due to rounding

Northern Beaches Council

Summary results

Income Statement	2023	2022	2021	2020
Income	\$425.4m	\$408.1m	\$365.8m	\$366.0m
Operating expenses	\$373.8m	\$346.4m	\$365.7m	\$347.3m
Net operating result for the year	\$51.7m	\$61.6m	\$0.1m	\$18.6m
Result excl capital grants & contributions	\$17.8m	\$17.7m	(\$26.5m)	(\$16.5m)
Capital expenditure	2023	2022	2021	2020
New capital works	\$41.7m	\$44.2m	\$33.8m	\$36.8m
Capital renewal works	\$40.3m	\$32.7m	\$39.3m	\$46.8m
Non-cash asset dedications	\$0.8m	-	\$0.8m	\$13.6m
Total capital expenditure	\$82.9m	\$76.9m	\$73.9m	\$97.2m
Loan repayments	2023	2022	2021	2020
Total loan repayments	\$4.8m	\$5.0m	\$5.1m	\$5.2m
Cash and investments	2023	2022	2021	2020
Externally restricted	\$53.1m	\$41.5m	\$30.8m	\$39.0m
Internally allocated	\$90.8m	\$80.2m	\$83.4m	\$71.5m
Unrestricted	\$38.9m	\$36.4m	\$33.0m	\$43.8m
Total cash and investments	\$182.9m	\$158.1m	\$147.2m	\$154.3m
Cashflows	2023	2022	2021	2020
Net cash from operating activities	\$110.7m	\$90.2m	\$74.6m	\$41.4m
Net cash from investing activities*	(\$79.8m)	(\$73.0m)	(\$75.2m)	(\$76.6m)
Net cash from financing activities	(\$6.1m)	(\$6.3m)	(\$6.5m)	(\$6.4m)
Net incr / (decr) in cash & investments	\$24.8m	\$10.8m	(\$7.1m)	(\$41.5m)
* Excludes purchase and sale of investments				
Financial Position	2023	2022	2021	2020
Total assets	\$5,636.4m	\$5,421.0m	\$5,245.2m	\$5,262.7m
Total liabilities	\$187.3m	\$184.5m	\$198.6m	\$177.1m
Net assets	\$5,449.2m	\$5,236.5m	\$5,046.6m	\$5,085.5m

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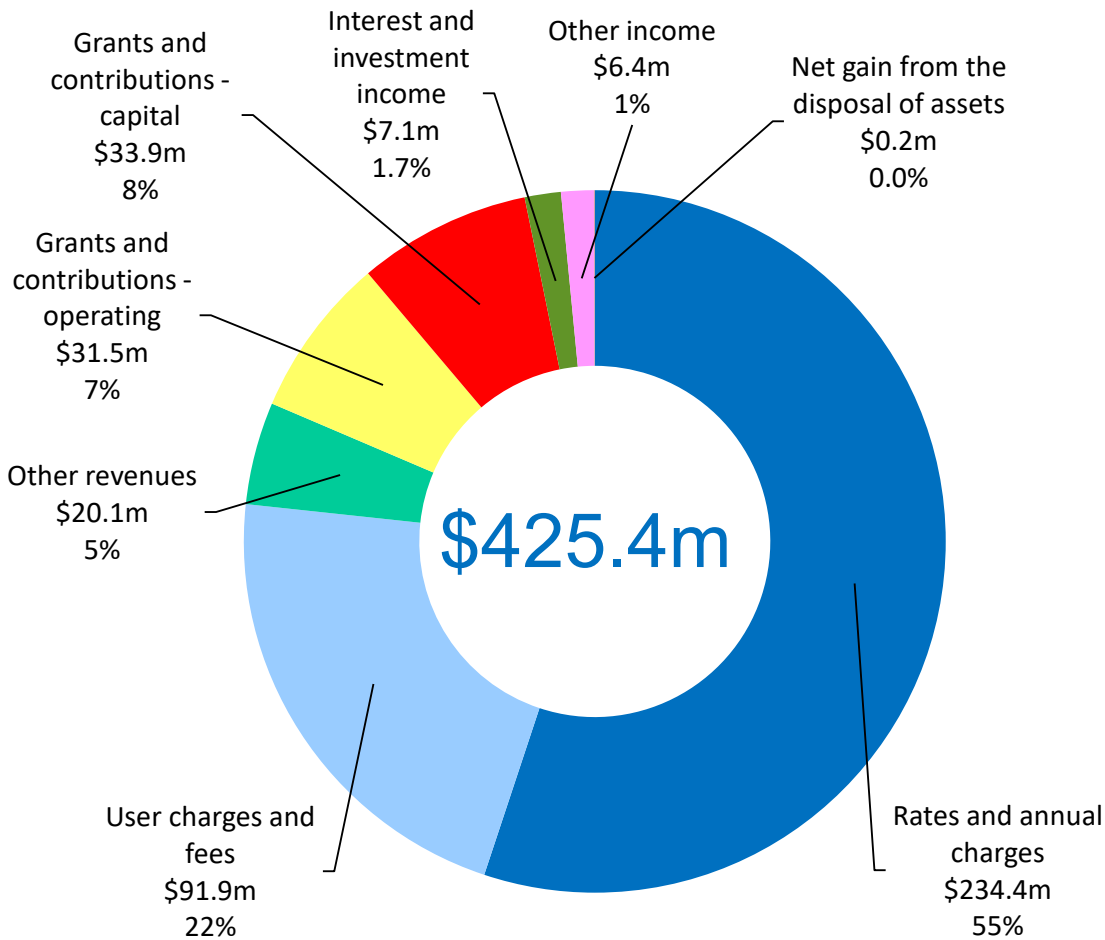
Summary results (continued)

Financial performance indicators	2023	2022	2021	2020
Operating performance	4.46%	4.53%	(7.32)%	(4.93)%
Own source operating revenue	84.61%	82.52%	87.42%	84.85%
Unrestricted current ratio	1.92x	1.90x	1.69x	2.09x
Debt service cover ratio	7.65x	7.25x	2.81x	3.72x
Rates and annual charges outstanding percentage	3.57%	3.63%	3.92%	4.12%
Cash expense cover ratio	6.13 months	5.59 months	5.13 months	5.39 months
Asset performance indicators	2023	2022	2021	2020
Building and infrastructure renewals	130.77%	112.67%	117.19%	121.34%
Infrastructure backlog ratio	1.49%	1.53%	1.50%	1.37%
Asset maintenance ratio	109.69%	100.55%	106.52%	107.92%
Cost to bring assets to agreed service level	1.22%	1.26%	1.24%	1.15%

Green font indicates performance indicator has achieved the Office of Local Government (OLG) benchmark
The OLG set benchmarks for all indicators, apart from the 'Cost to bring assets to agreed service level'.

Northern Beaches Council

Income from continuing operations



Income Items	1 July 2022 - 30 June 2023 (\$'000)
Rates and annual charges	234,424
User charges and fees	91,876
Other revenues	20,086
Grants and contributions - operating	31,496
Grants and contributions - capital	33,917
Interest and investment income	7,085
Other income	6,392
Net gain from the disposal of assets	167
Total Income from Continuing Operations	425,443

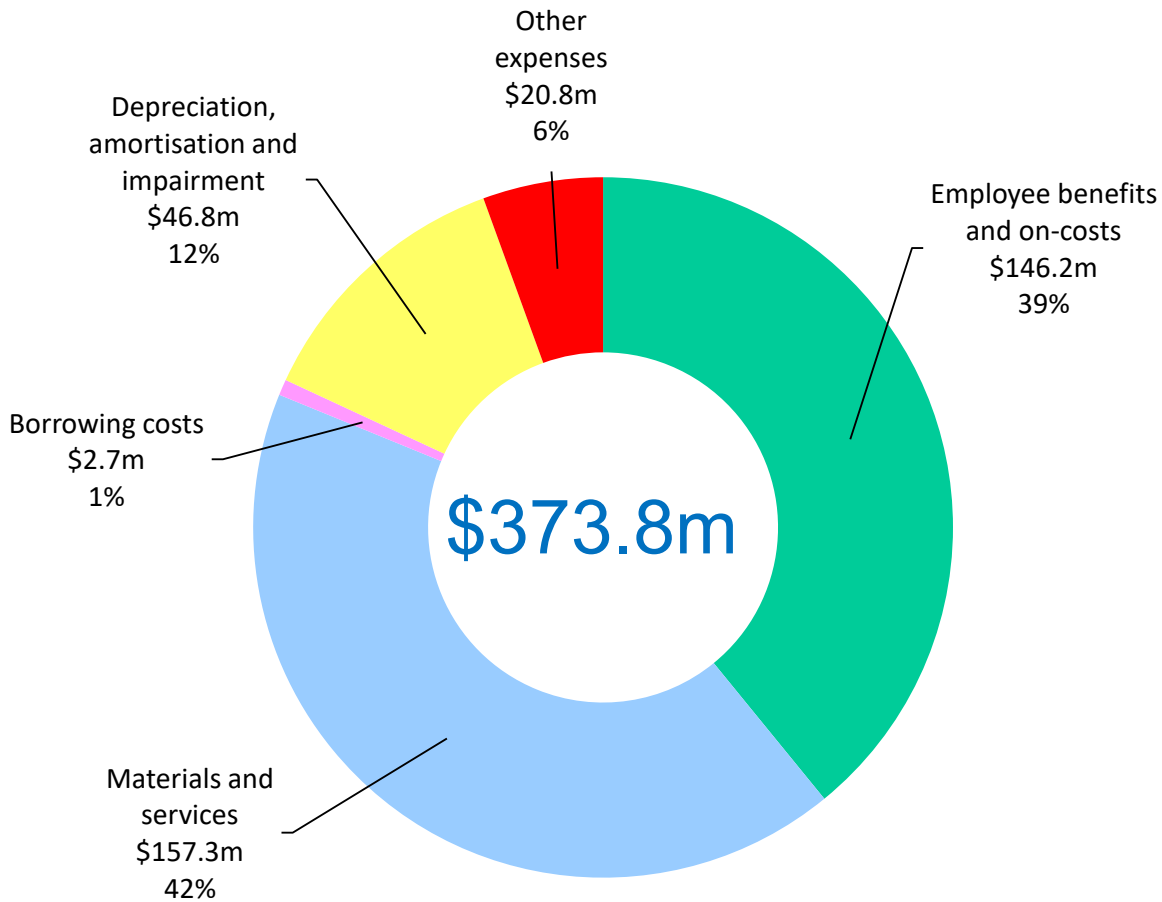
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Income from continuing operations analysis

2023 \$'000	2022 \$'000	Incr/(Decr) \$'000	%	Details
234,424	225,941	8,483	3.8%	Rates and annual charges
Rates were \$179.7m, a 2.45% (\$4.3m) increase on 2022 primarily due to the IPART approved increase of 2.4%. Annual charges are predominantly represented by domestic waste charges of \$53.2m which increased by 8.7% (\$4.2m) due to an increase in the number of services requested and a 7.7% increase in the charge due to higher vegetation and bulky goods disposal volumes along with inflation on contracts. The income was offset by the net cost of pensioner rebates on waste charges (\$0.9m). The stormwater charge raised \$2.2m and s611 charges remained at \$0.2m.				
91,876	79,722	12,154	15.2%	User charges and fees
User charges and fees include Kimbriki Waste & Recycling Centre fees \$24.6m, child care \$13.6m, parking fees \$13.5m, aquatic centres \$9.2m, planning fees \$9.1m, and \$7.4m from Lakeside Holiday Park. Following a return to more normal operations post the COVID-19 pandemic, income was higher than the prior year for the aquatic centres \$3.6m, parking \$3.1m, Lakeside Holiday Park \$2.4m, child care \$1.7m and planning \$1.0m. Kimbriki's fees were lower (\$0.8m) as were restoration services (\$0.7m).				
20,086	22,343	(2,257)	(10.1%)	Other revenues
Other revenues includes parking fines \$5.6m (\$0.1m lower than in 2022), sale of recycled material at Kimbriki \$4.3m (\$0.3m higher due to high recovery rates) and income from licences, consents and deeds \$3.3m. In 2022, other revenues included a confidential insurance settlement.				
31,496	27,165	4,331	15.9%	Grants and contributions - operating
Significant items in 2023 included:				
- \$11.7m Financial Assistance Grant (\$2.9m net early pymt)		- \$1.4m RFS Local Government Program funding		
- \$5.9m Regional and Local Road Repair Program		- \$0.8m Library Subsidy and Local Priority grant		
- \$2.8m Children's services funding		- \$0.8m Transport for NSW Street Lighting grant		
- \$2.0m Community services funding (incl Stronger Communities Fund)				
- \$1.8m Natural disaster assistance (Feb 20 & Feb-Apr 22)				
33,917	43,952	(10,035)	(22.8%)	Grants and contributions - capital
Significant items in 2023 include:				
- \$13.8m Developer cash contributions (\$14.9m in 2022).				
- \$9.8m Transport and traffic works including funds for road resheeting, Safer Schools infrastructure, the Narrabeen Lagoon Pedestrian and Cycle Bridge and footpath works.				
- \$6.2m Property and facilities works including funds for Duffys Forest Rural Fire Station, Currawong cottages and Marine Rescue Broken Bay building.				
- \$3.8m Parks and Recreation works including funds for foreshores renewal works, Clontarf Reserve tidal pool and Frenchs Forest precinct park upgrades.				
- 2022 included a number of both merger and COVID-stimulus grants.				
7,085	1,238	5,847	472.3%	Interest and investment income
Interest and investment income was \$5.8m higher than the previous financial year as a result of rapidly increasing interest rates. Council's investment portfolio achieved a return of 3.535% during 2023 (0.645% above the benchmark AusBond Bank Bill Index return of 2.89%). Interest on cash and investments was \$6.7m and half of this (\$3.3m) related to restricted funds comprising Kimbriki \$0.9m, customer bonds and deposits \$0.5m and other restricted reserves \$1.9m. Interest income from outstanding rates and annual charges was marginally lower than 2022.				
6,392	6,736	(344)	(5.1%)	Other income
Income from investment and leased properties was \$6.0m (\$6.2m in 2022). Investment properties were revalued in 2023, resulting in a fair value adjustment of \$0.2m.				
167	960	(793)	(82.6%)	Net gain from the disposal of assets
The 2023 net gain of \$0.2m comprises gains from the disposal of plant and equipment \$2.1m and property \$0.1m offset by losses on the replacement of assets (\$2.0m).				
425,443	408,057	17,386	4.3%	TOTAL INCOME

Northern Beaches Council

Expenses from continuing operations



Expense Items	1 July 2022 - 30 June 2023 (\$'000)
Employee benefits and on-costs	146,153
Materials and services	157,273
Borrowing costs	2,738
Depreciation, amortisation and impairment	46,821
Other expenses	20,765
Net loss from the disposal of assets	-
Total Expenses from Continuing Operations	373,750

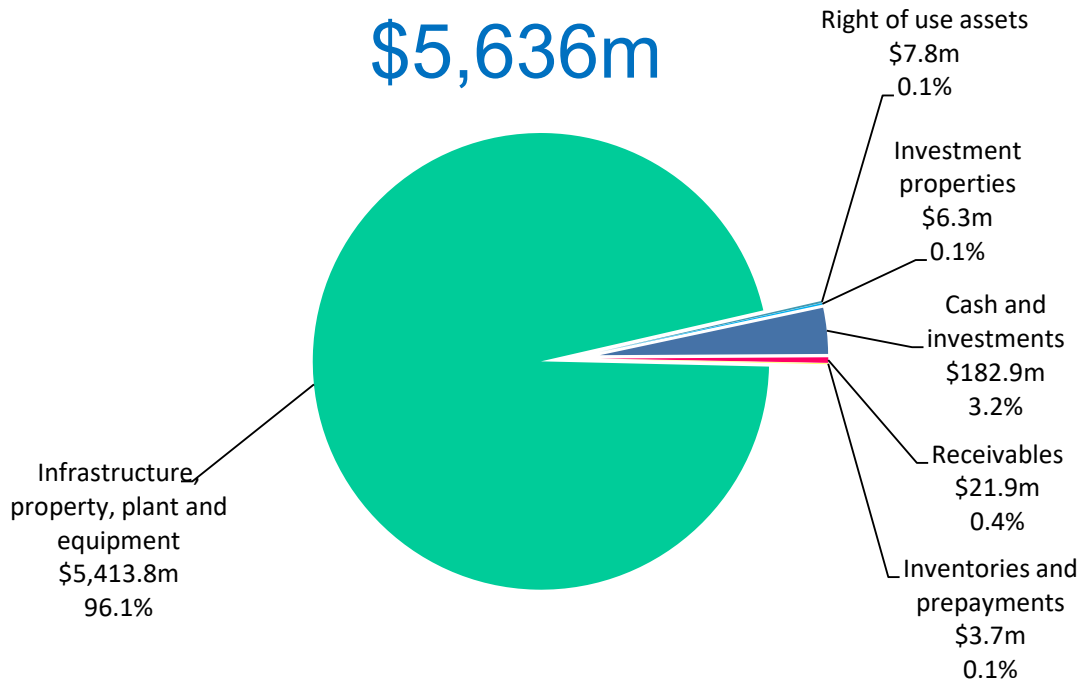
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Expenses from continuing operations analysis

2023	2022	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
146,153	134,560	11,593	8.6%	Employee benefits and on-costs
Employee Benefits and On-Costs were \$146.2m (excluding capitalised costs of \$7.6m), representing 39% of operating expenses. The \$11.6m increase on the prior year (8.6%) was primarily due to the impact of remeasuring the provisions for employee leave entitlements and workers compensation in 2022 within the context of rapidly increasing Commonwealth bond rates (which resulted in a \$3.5 million reduction in employee costs in 2022). This breakdown is provided below:				
17,157	9,027	8,130	90.1%	Employee leave entitlements & workers compensation
128,996	125,533	3,463	2.8%	Other employee benefits and on-costs
All other employee costs increased by \$3.5m (2.8%). The Local Government Award increase was 2.0% and the Superannuation Guarantee increased from 10.0% to 10.5% in 2023.				
157,273	142,766	14,507	10.2%	Materials and services
Materials and services included \$18.2m in waste collection costs, \$15.6m in expenses at the Kimbriki Waste & Recycling Centre and \$15.4m in waste disposal and processing costs.				
Variances compared to the prior year included:				
- Roadwork - \$7.8m ▲ - works funded under the Regional and Local Road Repair program and storm events				
- Waste disposal and collection - \$4.1m ▲ - primarily due to increased waste disposal and processing costs				
- Aquatic Centres - \$1.3m ▲ and Lakeside \$0.8m ▲ - increased gas prices at MABC (\$0.6m) and costs related to increased income generating activities.				
- Agency personnel - \$1.2m ▲ - primarily due to project work including the Enterprise Resource Planning system replacement, IT projects, Wakehurst Parkway flood investigations and backfilling vacant roles.				
- Software - \$1.2m ▲ - including improvements to security systems				
- Election - (\$1.4m) ▼ - as the prior year included costs for the Council election				
- Tree works - (\$1.8m) ▼ due to fewer severe storm events in 2023				
2,738	2,624	114	4.3%	Borrowing costs
Borrowing costs comprise interest on loans of \$0.8m, \$0.3m interest on leases and the unwinding of the discount for the asset remediation liability for the Kimbriki waste landfill \$1.7m.				
46,821	45,508	1,313	2.9%	Depreciation, amortisation and impairment
Depreciation was 2.9% higher at (\$1.3m), reflecting higher asset replacement costs.				
20,765	20,969	(204)	(1.0%)	Other expenses
Major items within other expenses include the \$8.9m Waste Levy (\$0.4m ▲), \$7.8m Emergency Services Levy (\$1.4m ▲) and \$2.8m in donations, contributions and assistance to other organisations (\$2.0m ▼), representing continued community support but at a tapering level reflecting emergence from the pandemic.				
-	-	-	n/a	Net loss from the disposal of assets
373,750	346,427	27,323	7.9%	TOTAL EXPENSES

Northern Beaches Council

Assets



Asset Items	30 June 2023 (\$'000)
Current Assets	
Cash and cash equivalents	6,605
Investments	175,623
Receivables	20,844
Inventories	372
Prepayments	3,364
Total Current Assets	206,808
Non Current Assets	
Investments	678
Receivables	1,012
Infrastructure, property, plant and equipment	5,413,807
Investment properties	6,320
Right of use assets	7,811
Total Non Current Assets	5,429,628
TOTAL ASSETS	5,636,436

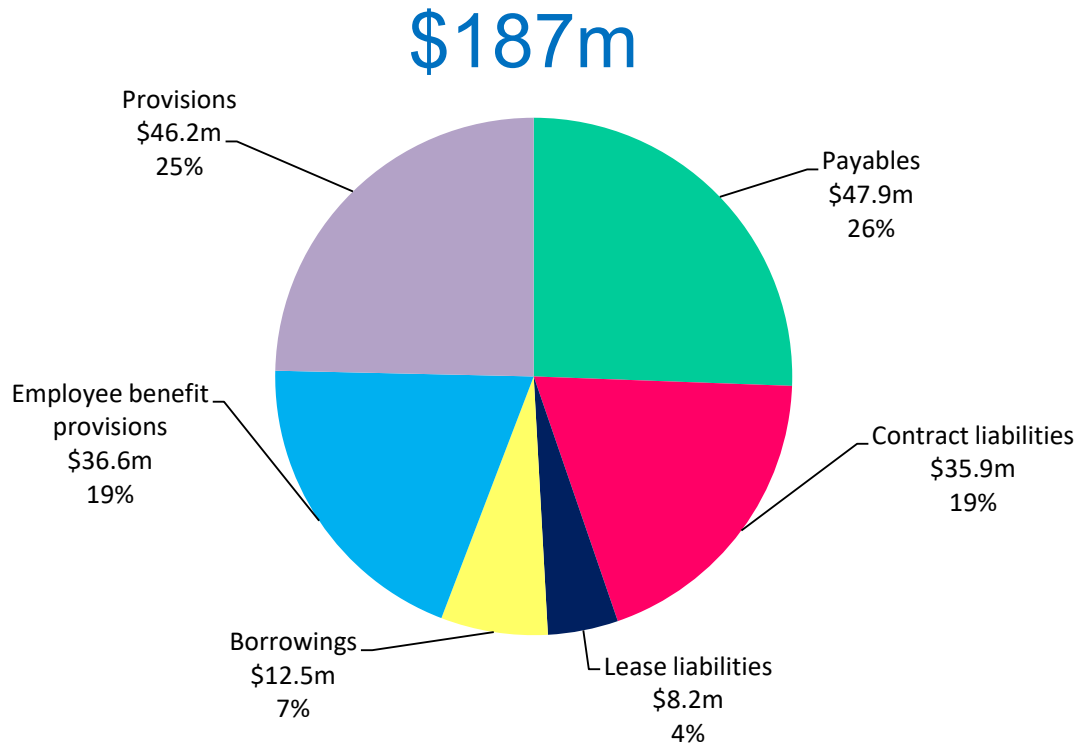
Northern Beaches Council

Assets analysis

30-Jun-23 \$'000	30-Jun-22 \$'000	Incr/(Decr) \$'000	%	Details	
182,906	158,082	24,824	15.7%	Cash, Cash Equivalents and Investments	
Cash, Cash Equivalents and Investments increased \$24.8m. This included a net increase in funds held for future purposes including development contributions (\$7.0m), domestic waste (\$4.7m), plant and fleet replacement (\$3.2m), customer bonds (\$2.2m) and tied grants (\$4.6m). The 2024 Financial Assistance Grant of \$9.4m was also received in the last week of June 2023. Kimbriki's cash reduced \$5.4m following investment in the clean water diversion system.					
21,856	25,798	(3,942)	(15.3%)	Receivables	
Receivables were (\$3.9m) lower than the previous year primarily due to the timing of payments of government grants for funded project milestones.					
372	397	(25)	(6.2%)	Inventories	
Inventories comprise stores, materials and trading stock and were consistent with the prior year.					
3,364	2,975	389	13.1%	Prepayments	
Prepaid expenses were higher than the previous financial year primarily due to the timing of software licence renewals.					
5,413,807	5,218,499	195,307	3.7%	Infrastructure, property, plant and equipment	
During the financial year a revaluation of land and infrastructure assets was undertaken, resulting in a \$161m increase in the carrying value of these assets. The increase in the value of assets reflects the impact of inflation on construction costs for infrastructure assets, the current property market for operational land and changes in community, crown and land under roads valuations informed by the Valuer-General. This movement in the value is held in equity within the IPP&E revaluation surplus.					
Summary - Asset Revaluation 2023					
		Prior to Revaluation \$'000	After Revaluation \$'000	Movement \$'000	%
Infrastructure	Gross Carrying Amount	3,675,190	3,450,242	224,948	
	Accumulated Depreciation	(663,614)	(631,958)	(31,656)	
	Total carrying value	3,011,576	2,818,284	193,292	6.4%
Land	Gross Carrying Amount	2,519,182	2,486,873	(32,309)	
	Total carrying value	2,519,182	2,486,873	(32,309)	(1.3%)
	Total revalued assets	5,530,758	5,305,157	160,983	2.9%
6,320	6,155	165	2.7%	Investment properties	
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 a \$0.2m change in the value this year for these commercial properties.					
7,811	9,110	(1,299)	(14.3%)	Right of use assets	
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.					
5,636,436	5,421,016	215,420	4.0%	TOTAL ASSETS	

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Liabilities



Liability Items	30 June 2023 Actual
Current Liabilities	
Payables	47,806
Contract liabilities	27,619
Lease liabilities	1,241
Borrowings	3,340
Employee benefit provisions	34,754
Provisions	1,060
Total Current Liabilities	115,820
Non-Current Liabilities	
Payables	100
Contract liabilities	8,239
Lease liabilities	6,996
Borrowings	9,185
Employee benefit provisions	1,843
Provisions	45,094
Total Non-Current Liabilities	71,457
TOTAL Liabilities	187,277

Northern Beaches Council

Liabilities analysis

30-Jun-23	30-Jun-22	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
47,906	45,543	2,364	5.2%	Payables
Payables include security deposits and retentions of \$22.1m, accrued expenses including borrowings, salaries and wages and other expenditure accruals of \$16.8m and invoices payable of \$6.3m. The increase in payables compared to the prior financial year was primarily due to a \$2.2m increase in security bonds.				
35,858	31,672	4,186	13.2%	Contract liabilities
Contract liabilities mostly relate to unspent grant funds. The \$4.2m increase relates to the receipt of several large new grants including the Regional and Local Road Repair funds of \$3.3m and Warringah Recreation Centre Upgrade funds of \$1.5m. The increase in the contract liabilities was offset by the expenditure of several significant grants relating to the construction of Council controlled assets including Currawong cottages restoration funds of (\$1.4m) and B-Line tree program works funding of (\$0.6m)				
8,237	9,475	(1,238)	(13.1%)	Lease liabilities
Lease liabilities primarily relate to the vehicle component of Council's waste collection contract (\$7.7m). The \$1.2m reduction in lease liabilities was due to contract principal payments per the existing lease schedule. No new lease liabilities were incurred during the year.				
12,525	17,308	(4,783)	(27.6%)	Borrowings
Borrowings continue to decrease due to the ongoing repayment of existing loans.				
36,597	36,314	283	0.8%	Employee benefit provisions
Management actively encourages staff to take annual leave at regular intervals and reviews balances in excess of 8 weeks. There was a minor increase in employee leave entitlements of (\$0.3m), with a reduction in annual leave balances offsetting the impact of other movements.				
In 2022, employee leave entitlements were affected by significant changes in economic measures impacting the determination of the future liabilities resulting in a lower level of expense for this item (see expenses).				
46,154	44,163	1,991	4.5%	Provisions
Provisions comprise workers compensation self insurance (\$4.7m) and landfill remediation (\$41.5m). The remediation provision increased (\$0.8m), while the self insurance provision also increased (\$1.2m) to reflect the future claims assessment.				
187,277	184,475	2,802	1.5%	TOTAL LIABILITIES

Northern Beaches Council

Key performance indicators

2023

Financial performance indicators

Operating performance	4.46%	✓
Own source operating revenue ratio	84.61%	✓
Unrestricted current ratio	1.92x	✓
Debt service cover ratio	7.65x	✓
Rates and annual charges outstanding percentage	3.57%	✓
Cash expense cover ratio	6.13 mths	✓

Infrastructure asset performance indicators

Buildings and infrastructure renewals ratio	130.77%	✓
Infrastructure backlog ratio	1.49%	✓
Asset maintenance ratio	109.69%	✓
Cost to bring assets to agreed service level	1.22%	n/a

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

2023	2022	2021	Benchmark	Details
✓ 4.46%	✓ 4.53%	✗ (7.32%)	>0%	Operating performance

Purpose: Measures Council's ability to contain operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, asset sales, fair value adjustments and reversal of revaluation decrements are excluded. The benchmark is greater than 0%.

Commentary: The 2023 result of 4.46% was consistent with the prior year. However 2022 was impacted by COVID-19 related costs along with a number of favourable one-off items. If those one-off items are removed from the 2022 ratio the result would have been 1.26%.

Results in 2023 were stronger as Council continues to recover from the pandemic, especially at the Aquatic Centres (\$1.8m net▲) and Lakeside Holiday Park (\$1.8m net▲) along with winding back COVID subsidy costs (\$2.0m▼). Investment returns were also strong following rising interest rates. While only 25% of the 2023 FAG was paid in the 2023 year (as 75% was paid in the prior year), 100% of the 2024 FAG was paid in advance in 2023. The net impact of grants timing boosted the 2023 result by a net \$1.3m - the 2023 result would have been 4.14% without this.

2023	2022	2021	Benchmark	Details
✓ 84.61%	✓ 82.52%	✓ 87.42%	>60%	Own source operating revenue ratio

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)

2023	2022	2021	Benchmark	Details
✓ 1.92x	✓ 1.90x	✓ 1.69x	>1.5x	Unrestricted current ratio
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 1.5x - meaning for every \$1.00 current liability there is \$1.50 in current assets (after adjustments for restrictions).			
Commentary:	The 2023 ratio was consistent with the prior year and remains above the benchmark, indicating that Council is able to meet its short term financial obligations as they fall due after excluding all external restrictions. Cash and investment balances have increased due to payment of a number of grants (some of which are also included as contract liabilities), setting funds aside for the future remediation of Kimbriki and bonds and deposits from customers.			
✓ 7.65x	✓ 7.25x	✓ 2.81x	>2x	Debt service cover ratio
Purpose:	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2x.			
Commentary:	Council's Debt Service Cover Ratio of 7.65x is above the benchmark of 2x. This ratio has increased this year due to a positive operating result and reduced borrowing costs.			
✓ 3.57%	✓ 3.63%	✓ 3.92%	<5%	Rates and annual charges outstanding %
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.			
✓ 6.13 months	✓ 5.59 months	✓ 5.13 months	>3 months	Cash expense cover ratio
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 6.1 months is consistent with prior years and exceeds the benchmark of greater than 3 months.			
✓ 130.77%	✓ 112.67%	✓ 117.19%	>100%	Buildings and infrastructure renewals ratio
Purpose:	This ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating.			
Commentary:	Council's ratio is favourably above the benchmark of 100% and represents the timing of the completion of projects and the Council's continued investment in the renewal of infrastructure assets. The 2023 ratio was boosted by the completion of Long Reef SLSC.			

Northern Beaches Council

Key performance indicators (continued)

2023	2022	2021	Benchmark	Details
✓ 1.49%	✓ 1.53%	✓ 1.50%	<2%	Infrastructure backlog ratio
Purpose:	This ratio shows what proportion the backlog is against the total value of Council's infrastructure.			
Commentary:	Council's Infrastructure Backlog Indicator remains below the benchmark of 2% indicating that Council does not have a comparatively significant infrastructure backlog. The marginal decrease in this ratio is largely due to the impact of the infrastructure revaluation.			
✓ 109.69%	✓ 100.55%	✓ 106.52%	>100%	Asset maintenance ratio
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 indicates the level of expenditure on the maintenance of infrastructure assets was sufficient to prevent the infrastructure backlog from growing. The favourable increase in this ratio is largely due to grant funded repairs to assets damaged through storms and persistent wet weather events in 2022 (including \$3.5m for sealed roads).			
1.22%	1.26%	1.24%	n/a	Cost to bring assets to agreed service level
Purpose:	This ratio provides a 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:	The estimated cost to bring assets to agreed service levels is \$42.5m and represents 1.22% of the total replacement value of Council's assets. The ratio has favourably reduced since the last financial year, however this is primarily due to the impact of inflation on asset values.			

Northern Beaches Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

*Northern Beaches - a safe, diverse, inclusive and connected
community that lives in balance with our extraordinary
coastal and bushland environment*



northern
beaches
council

Northern Beaches Council

General Purpose Financial Statements

for the year ended 30 June 2023

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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.

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

Email: 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 2023

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2023.



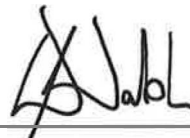
Sue Heins
Mayor
24 October 2023



Sarah Grattan
Councillor
24 October 2023



Louise Kerr
Acting Chief Executive Officer
24 October 2023



David Walsh
Responsible Accounting Officer
24 October 2023

Northern Beaches Council

Income Statement

for the year ended 30 June 2023

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
2023	\$ '000		Notes	2023	2022
		Income from continuing operations			
234,543		Rates and annual charges	B2-1	234,424	225,941
89,113		User charges and fees	B2-2	91,876	79,722
18,960		Other revenues	B2-3	20,086	22,343
19,648		Grants and contributions provided for operating purposes	B2-4	31,496	27,165
29,764		Grants and contributions provided for capital purposes	B2-4	33,917	43,952
1,034		Interest and investment income	B2-5	7,085	1,238
6,821		Other income	B2-6	6,392	6,736
457		Net gain from the disposal of assets	B4-1	167	960
400,340		Total income from continuing operations		425,443	408,057
		Expenses from continuing operations			
147,610		Employee benefits and on-costs	B3-1	146,153	134,560
145,251		Materials and services	B3-2	157,273	142,766
2,207		Borrowing costs	B3-3	2,738	2,624
46,767		Depreciation, amortisation and impairment	B3-4	46,821	45,508
19,946		Other expenses	B3-5	20,765	20,969
361,781		Total expenses from continuing operations		373,750	346,427
38,559		Operating result from continuing operations		51,693	61,630
38,559		Net operating result for the year		51,693	61,630
101		Net operating result attributable to non-controlling interests		159	206
8,795		Net operating result for the year before grants and contributions provided for capital purposes		17,776	17,678

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

Northern Beaches Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		51,693	61,630
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of infrastructure, property, plant and equipment	C1-6	160,983	128,388
Total items which will not be reclassified subsequently to the operating result		160,983	128,388
Total other comprehensive income for the period		160,983	128,388
Total comprehensive income for the year		212,676	190,018
Total comprehensive income attributable to Council		212,517	189,812
Total comprehensive income attributable to non-controlling interests		159	206

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 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents ¹	C1-1	6,605	6,697
Investments	C1-2	175,623	150,625
Receivables ¹	C1-4	20,844	24,791
Inventories	C1-5	372	397
Prepayments		3,364	2,975
Total current assets		206,808	185,485
Non-current assets			
Investments	C1-2	678	760
Receivables	C1-4	1,012	1,007
Infrastructure, property, plant and equipment (IPPE)	C1-6	5,413,807	5,218,499
Investment properties	C1-7	6,320	6,155
Right of use assets	C2-1	7,811	9,110
Total non-current assets		5,429,628	5,235,531
Total assets		5,636,436	5,421,016
LIABILITIES			
Current liabilities			
Payables	C3-1	47,806	45,393
Contract liabilities	C3-2	27,619	24,206
Lease liabilities	C2-1	1,241	1,238
Borrowings	C3-3	3,340	4,770
Employee benefit provisions	C3-4	34,754	35,553
Provisions	C3-5	1,060	759
Total current liabilities		115,820	111,919
Non-current liabilities			
Payables	C3-1	100	150
Contract liabilities	C3-2	8,239	7,466
Lease liabilities	C2-1	6,996	8,237
Borrowings	C3-3	9,185	12,538
Employee benefit provisions	C3-4	1,843	761
Provisions	C3-5	45,094	43,404
Total non-current liabilities		71,457	72,556
Total liabilities		187,277	184,475
Net assets		5,449,159	5,236,541
EQUITY			
Accumulated surplus		4,979,154	4,927,620
IPPE revaluation surplus		468,600	307,617
Council equity interest		5,447,754	5,235,237
Non-controlling equity interests		1,405	1,304
Total equity		5,449,159	5,236,541

(1) 2022 has been restated due to the reclassification of clearing accounts totalling \$0.1m from cash to receivables.

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

Northern Beaches Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023					2022				
		Accumulated surplus	IPPE revaluation surplus	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPPE revaluation surplus	Council interest	Non-controlling interest	Total equity
Opening balance at 1 July		4,927,620	307,617	5,235,237	1,304	5,236,541	4,866,196	179,229	5,045,425	1,136	5,046,561
Net operating result for the year		51,534	–	51,534	159	51,693	61,424	–	61,424	206	61,630
Other comprehensive income											
Gain on revaluation of infrastructure, property, plant and equipment	C1-6	–	160,983	160,983	–	160,983	–	128,388	128,388	–	128,388
Other comprehensive income		–	160,983	160,983	–	160,983	–	128,388	128,388	–	128,388
Total comprehensive income		51,534	160,983	212,517	159	212,676	61,424	128,388	189,812	206	190,018
Dividends paid to minority interest		–	–	–	(58)	(58)	–	–	–	(38)	(38)
Closing balance at 30 June		4,979,154	468,600	5,447,754	1,405	5,449,159	4,927,620	307,617	5,235,237	1,304	5,236,541

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 2023

<i>Original unaudited budget 2023</i>	<i>\$ '000</i>	Notes	<i>Actual 2023</i>	<i>Actual 2022</i>
Cash flows from operating activities				
Receipts:				
234,351	Rates and annual charges		234,281	226,388
92,716	User charges and fees ¹		96,268	84,398
1,055	Interest received		4,873	1,182
38,403	Grants and contributions ¹		76,799	56,687
6,416	Bonds, deposits and retentions received		7,741	7,098
41,662	Other		41,346	45,656
Payments:				
(146,571)	Payments to employees		(145,037)	(137,235)
(157,036)	Payments for materials and services		(176,928)	(158,507)
(894)	Borrowing costs		(1,064)	(1,142)
(6,416)	Bonds, deposits and retentions refunded		(5,571)	(5,466)
(19,765)	Other		(22,019)	(28,886)
83,921	Net cash flows from operating activities	G1-1	110,689	90,173
Cash flows from investing activities				
Receipts:				
323,179	Sale of investments		272,227	338,038
1,427	Proceeds from sale of IPPE		2,167	3,734
Payments:				
(300,000)	Purchase of investments		(297,123)	(352,829)
(107,024)	Payments for IPPE		(81,973)	(76,755)
(82,418)	Net cash flows from investing activities		(104,702)	(87,812)
Cash flows from financing activities				
Payments:				
(4,873)	Repayment of borrowings		(4,783)	(5,018)
(1,228)	Principal component of lease payments		(1,238)	(1,269)
(40)	Dividends paid to minority interest		(58)	(38)
(6,141)	Net cash flows from financing activities		(6,079)	(6,325)
(4,638)	Net change in cash and cash equivalents		(92)	(3,964)
17,627	Cash and cash equivalents at beginning of year		6,697	10,661
12,989	Cash and cash equivalents at end of year	C1-1	6,605	6,697

(1) 2022 has been restated due to the reclassification of clearing accounts totalling \$0.1m from cash to receivables.

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

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

These financial statements were authorised for issue by Council on 24 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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 2021 (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. Disclosures where relevant may be presented in whole dollars or as otherwise noted.

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

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. 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.
- ii. Impairment of receivables - refer Note C1-4.
- 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)*, 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. This means that investing and financing cashflows are presented net of the GST.

Volunteer services

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 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 2022-10 <i>Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>
Nature of change in accounting policy	<p>This Standard modifies <i>AASB 13 Fair Value Measurement</i> for application by not-for-profit public sector entities such as Council.</p> <p>It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.</p> <p>This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.</p>
Effective date	Annual reporting period beginning on or after 1 January 2024 (i.e. year ending 30 June 2025).
Expected impact on Council's financial statements	Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.

A1-1 Basis of preparation (continued)

Pronouncement	AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i> AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>
Nature of change in accounting policy	This Standard amends AASB 101 <i>Presentation of Financial Statements</i> 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 ending 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.

Pronouncement	AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i> [amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]
Nature of change in accounting policy	This Standard amends a number of standards as follows: <ul style="list-style-type: none"> • AASB 7 <i>Financial Instruments: Disclosures</i> - to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; • AASB 101 <i>Presentation of Financial Statements</i> - to require entities to disclose their material accounting policy information rather than their significant accounting policies; • AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> - to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; • AASB 134 <i>Interim Financial Reporting</i> - to identify material accounting policy information as a component of a complete set of financial statements; and • AASB Practice Statement 2 <i>Making Materiality Judgements</i> - to provide guidance on how to apply the concept of materiality to accounting policy disclosures
Effective date	Annual reporting periods beginning on or after 1 January 2023 (i.e. year ending 30 June 2024).
Expected impact on Council's financial statements	Reductions in quantum of accounting policies disclosures to focus on key decision areas and material policies only.

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 2023. These standards did not have an impact on the reported financial position or financial performance:

AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*

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

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>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Functions or activities										
Environment and sustainability	7,598	9,287	40,184	42,739	(32,586)	(33,452)	3,265	5,317	911,126	855,590
Waste and cleansing	53,583	49,164	63,784	59,029	(10,201)	(9,865)	497	274	17,419	15,425
Kimbriki Resource Recovery Centre ¹	41,776	43,517	38,489	38,196	3,287	5,321	–	–	87,150	85,223
Community, arts and culture	6,591	5,241	12,871	12,043	(6,280)	(6,802)	2,070	2,423	53,381	50,921
Children's services	16,525	14,622	16,458	14,529	67	93	2,903	2,752	7,069	6,527
Library services	1,180	1,764	11,611	10,966	(10,431)	(9,202)	870	1,560	45,525	43,675
Strategic land use planning	1,380	1,494	6,649	6,675	(5,269)	(5,181)	344	589	43,511	36,601
Development assessment	3,988	3,704	7,148	6,617	(3,160)	(2,913)	–	80	–	–
Environmental compliance	8,040	8,003	13,284	12,667	(5,244)	(4,664)	8	–	–	–
Parks and recreation	7,819	12,001	41,723	38,483	(33,904)	(26,482)	4,975	9,730	408,231	347,013
Economic development, events and engagement	1,012	1,448	11,460	10,893	(10,448)	(9,445)	35	881	–	–
Transport, traffic and active travel	37,854	36,726	47,989	37,765	(10,135)	(1,039)	18,527	20,869	947,865	891,481
Property and facilities	40,527	35,340	48,689	45,382	(8,162)	(10,042)	6,180	679	2,965,886	2,960,689
Customer service	–	1	4,252	3,889	(4,252)	(3,888)	–	–	–	–
Governance and assurance services	182	192	11,106	11,784	(10,924)	(11,592)	–	–	–	–
Corporate support services	18,382	17,533	14,688	12,552	3,694	4,981	13,997	15,184	149,273	127,871
Eliminations ²	(16,326)	(17,388)	(16,310)	(17,399)	(16)	11	–	–	–	–
General purpose income	195,657	185,791	–	–	195,657	185,791	11,742	10,779	–	–
Total functions and activities ³	425,768	408,440	374,075	346,810	51,693	61,630	65,413	71,117	5,636,436	5,421,016

(1) Does not include Kimbriki's interest income which is considered General Purpose Income or Council Rates.

(2) This includes tipping fees/tipping charges (\$12.6m), site rental income/site rental expense (\$3.3m) between Northern Beaches Council and Kimbriki. It also includes Council rates on Council properties.

(3) The income and expenses in B1-1 allocate the profit or loss on disposed assets to either income or expenses for each relevant service. The Income Statement reports a net figure. The amount which is recognised as a loss is \$0.3m for 2023.

B1-2 Components of functions or activities

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

Environment and sustainability

This service delivers programs to protect and preserve biodiversity, manage natural hazards and improve sustainability for Council and the community.

Waste and cleansing

This service delivers household waste and recyclables collection. The service includes community waste education and behaviour change programs. It also delivers litter removal, cleaning of public places (beaches, parks, streets, village/town centres and graffiti removal), street sweeping and the collection of illegally dumped rubbish.

Kimbriki Resource Recovery Centre

This facility delivers sustainable waste management and recycling services to the community. It recycles around 80% of waste received and provides education on sustainability via the Eco House and garden. The Buy Back Centre sells salvaged building materials and furniture.

Community, arts and culture

This service facilitates and supports activities to build social capital, community resilience and enhance the health and well-being of the Northern Beaches community. It includes the Meals on Wheels service, programs for aged, people with disability and youth. The community centres, cultural facilities, arts and cultural programs, regional art gallery and museum and performing arts centre provide opportunities to contribute and participate in cultural and social life.

Children's services

This service offers high quality professional care for children aged 0-11 years through 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

Library services provides a range of collections to support literacy and lifelong learning at Dee Why, Forestville, Glen Street in Belrose, Manly, Mona Vale and Warringah Mall as well as a home delivery service. The service also supports the delivery of inclusive and diverse events, programs and services that support community connection, digital literacy and wellbeing.

Strategic land use planning

This service sets the land-use direction in the local government area via the Local Strategic Planning Statement. The service prepares structure plans and place plans to manage growth and development and has responsibility for Council's development contribution framework, European heritage management, Aboriginal heritage development, urban design and assessment of planning proposals.

Development assessment

This service assesses applications, modifications and reviews of determinations in line with local and state planning controls. It also provides a development advisory service to assist applicants in the preparation and lodgement of applications and to give general planning advice to the community.

Environmental compliance

This service contributes to protecting the environment and keeping the community safe through education, regulation and enforcement. This includes responding to issues relating to pollution, illegal development, fire safety, animal management, food safety and public health.

Parks and recreation

This service manages and maintains recreational open space including playgrounds, sportsfields, rockpools, skate facilities, sports courts, public golf courses, town and village centres, dog off-leash areas and gardens and parks including Manly Warringah War Memorial (Manly Dam) and Narrabeen Lagoon State Parks. The service is also responsible for tree management and lifeguard services at beaches and events.

Economic development, events and engagement

This service supports the vibrancy and success of village and town centres, celebrating all facets of the community with events and festivals and engaging with the community through the provision of information. Visitor information services highlight the Northern Beaches as a tourism destination. Community engagement (online and in-person) supports good governance and effective decision making on a wide range of projects.

Transport, traffic and active travel

This service manages and maintains the local road network including footpaths, kerbs and gutters, bus shelters, guard rails, bridges, causeways, retaining walls, pedestrian crossings, roundabouts and bike paths. The service also manages Council car parks and parking stations, wharves, boat ramps and tidal pools, road safety programs and the provision of Hop, Skip, Jump community buses.

B1-2 Components of functions or activities (continued)

Property and facilities

This service manages Council's portfolio of community and civic buildings, including surf clubs, aquatic centres, library buildings, community centres, art venues, offices, public amenities, holiday accommodation facilities at Sydney Lakeside Holiday Park and Currawong and cemeteries. The service also manages leases/licences of public land including outdoor dining.

Customer service

Providing a friendly and professional service for the management of customer requests and transactions, both in person at Avalon, Dee Why, Manly and Mona Vale service centres or 24 hours a day, seven days a week for people contacting Council by phone.

Governance and assurance services

This service provides secretariat and high-level administrative functions, claims management, in-house legal and advisory services to Council, sub committees and the Audit, Risk and Improvement Committee. The service is responsible for implementing Council's Governance Framework and internal audit program including management of complaints about staff behaviour and Council processes.

Corporate support services

This service supports the efficient delivery of 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.

Eliminations

Captures the elimination of inter-entity accounting between Council and its subsidiary Kimbriki, and intra-entity transactions, primarily rates, on Council-owned properties. These transactions are required to be eliminated when preparing consolidated financial reports.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	149,905	146,339
Farmland	16	15
Business	29,255	28,546
Less: pensioner rebates (mandatory)	(1,692)	(1,774)
Less: pensioner rebates (Council policy)	(132)	(135)
Rates levied to ratepayers	177,352	172,991
Pensioner rate subsidies received	948	997
Total ordinary rates	178,300	173,988
Special rates		
Business	1,395	1,408
Rates levied to ratepayers	1,395	1,408
Total special rates	1,395	1,408
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	53,218	48,978
Stormwater management services	2,208	2,207
Section 611 charges	169	176
Less: pensioner rebates (mandatory)	(637)	(631)
Less: pensioner rebates (Council policy)	(566)	(539)
Annual charges levied	54,392	50,191
Pensioner annual charges subsidies received:		
– Domestic waste management	337	354
Total annual charges	54,729	50,545
Total rates and annual charges	234,424	225,941

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates in the 2022 and 2023 years.

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	2023	2022
Aquatic centres	9,153	5,554
Caravan park	7,358	4,923
Cemeteries	1,071	1,120
Child care	13,605	11,866
Community centres	2,191	1,488
Currawong State Park	319	285
Glen Street Theatre	1,298	765
Golf course and driving range	2,451	2,597
Kimbriki Waste and Recycling Centre	24,614	25,381
Libraries	136	81
Parking areas	13,452	10,349
Planning and building regulatory	9,068	8,088
Regulatory/statutory fees	782	521
Restoration charges	1,086	1,835
Section 10.7 certificates (EP&A Act)	818	825
Section 603 certificates	380	482
Sportsfields and reserves	1,651	1,231
Other fees	2,443	2,331
Total other user charges and fees	91,876	79,722
Total user charges and fees	91,876	79,722
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	33,924	24,881
User charges and fees recognised at a point in time	57,952	54,841
Total user charges and fees	91,876	79,722

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 are recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenues

\$ '000	2023	2022
Advertising income	1,362	1,013
Ex gratia rates	25	25
Fines – parking	5,636	5,749
Fines – other	487	446
Legal fees recovery	181	193
Legal fees recovery – rates and charges (extra charges)	259	71
Licences, consents & deeds	3,279	3,228
Recycling income (domestic)	672	631
Sales of inventories	1,286	853
Other revenues – Kimbriki	4,287	3,967
Other ¹	2,612	6,167
Total other revenue	20,086	22,343

Timing of revenue recognition for other revenue

Other revenue recognised over time	3,279	3,228
Other revenue recognised at a point in time	16,807	19,115
Total other revenue	20,086	22,343

Accounting policy for other revenue

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

Fines are recognised as revenue when the payment is received.

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

(1) 2022 - Includes a confidential insurance settlement.

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,595	3,060	–	–
Financial assistance – local roads component	706	1,188	–	–
Payment in advance - future year allocation ¹				
Financial assistance – general component	6,725	4,699	–	–
Financial assistance – local roads component	2,716	1,832	–	–
Amount recognised as income during current year	11,742	10,779	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire services	1,351	1,068	2,219	35
Child care	2,803	2,419	58	341
Coast and estuaries	–	–	1,391	888
Community services	915	1,264	269	85
Environmental protection	2,020	3,617	11	151
Library	796	826	74	734
Local Infrastructure Renewal Scheme subsidy	172	271	–	–
Recreation and culture	745	1,616	6,039	4,303
Street lighting	836	790	–	–
Stronger communities fund	1,189	1,349	22	4,016
Storm/flood damage	2,011	2,038	–	–
Transport (other roads and bridges funding)	6,159	298	7,287	16,317
Transport (roads to recovery)	–	–	1,318	1,418
Transport for NSW contributions (regional roads, block grant)	757	750	560	759
Other	–	80	–	–
Total special purpose grants and non-developer contributions – cash	19,754	16,386	19,248	29,047
Non-cash contributions				
Other	–	–	3	–
Total other contributions – non-cash	–	–	3	–
Total special purpose grants and non-developer contributions (tied)	19,754	16,386	19,251	29,047
Total grants and non-developer contributions	31,496	27,165	19,251	29,047
Comprising:				
– Commonwealth funding	13,780	13,732	4,033	10,431
– State funding	17,040	12,713	13,694	17,351
– Other funding	676	720	1,524	1,265
	31,496	27,165	19,251	29,047

(1) The payment in advance received in 2023 represents 100% of the 2024 allocation, while the 2022 advance payment was for 75% of the 2023 allocation.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	<i>Operating 2022</i>	Capital 2023	<i>Capital 2022</i>
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G3				
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	3,405	7,085
S 7.4 – contributions using planning agreements		–	–	343	106
S 7.12 – fixed development consent levies		–	–	10,077	7,714
Total developer contributions – cash		–	–	13,825	14,905
Non-cash contributions					
Other developer contributions		–	–	841	–
Total developer contributions non-cash		–	–	841	–
Total developer contributions		–	–	14,666	14,905
Total grants and contributions		31,496	27,165	33,917	43,952
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		12,813	6,157	17,277	26,822
Grants and contributions recognised at a point in time		18,683	21,008	16,640	17,130
Total grants and contributions		31,496	27,165	33,917	43,952

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	<i>Operating</i> 2023	<i>Operating</i> 2022	<i>Capital</i> 2023	<i>Capital</i> 2022
Unspent funds at 1 July	10,204	10,350	55,419	53,549
Recognised as income in the current period but not yet spent	438	540	16,292	15,126
Received for the provision of goods and services in a future period ¹	7,723	1,685	3,367	6,940
Recognised in a previous reporting period now spent	(2,929)	(2,371)	(14,511)	(20,196)
Unspent funds at 30 June	15,436	10,204	60,567	55,419

Nature of unspent grants and contributions:

	2023	2022
- Bare Creek	1,344	1,393
- Currawong cabin renovations	-	1,337
- Local roads and community infrastructure	237	251
- Manly Dam	2,169	2,136
- McKillop headland boardwalk	1,446	1,086
- Pipeline regional active corridor	3,348	1,498
- Precinct support scheme Frenchs Forest	3,983	4,480
- Regional and local road repair	3,273	-
- South Collaroy foreshore renewal	1,000	1,000
- February 2022 storm essential public asset reconstruction	2,207	-
- Stronger Communities fund	4,943	6,441
- Transport for NSW B-line projects	3,128	4,676
- Other grants	5,479	4,868
Closing balance unspent grants and non-developer contributions - refer to Note C1-3:	32,557	29,166
Closing balance unspent Developer Contributions - refer to Note G3:	43,446	36,457

(1) 2022 grant funding received for Pipeline Active Corridor works has now been reclassified from capital to operating (\$1.5m).

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 obligation 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. 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).

B2-4 Grants and contributions (continued)

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

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, the income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	372	379
– Cash and investments	6,713	859
Total interest and investment income (losses)	7,085	1,238

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Investment properties			
Rental income investment properties		233	246
Total Investment properties		233	246
Other lease income			
Rental income leased Council properties		5,974	6,153
Total other lease income		5,974	6,153
Total rental income	C2-2	6,207	6,399
Fair value increment on investment properties			
Fair value increment on investment properties		165	320
Total fair value increment on investment properties	C1-7	165	320
Fair value increment on investments			
– Movements in investments at fair value through profit and loss (FVTPL)		20	17
Total Fair value increment on investments		20	17
Total other income		6,392	6,736

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	116,284	113,894
Employee termination costs (where material – other than vested leave paid)	980	524
Employee leave entitlements (ELE) ¹	14,524	8,082
Superannuation	13,557	12,901
Workers' compensation insurance	2,634	945
Fringe benefit tax (FBT)	841	722
Kimbriki salaries and on-costs	4,893	4,579
Total employee costs	153,713	141,647
Less: capitalised costs	(7,560)	(7,087)
Total employee costs expensed	146,153	134,560

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 \$650,000. 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.

(1) 2022 - Employee leave entitlements were affected by significant changes in economic measures impacting the determination of the future liabilities resulting in a lower level of expense for this item.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Agency personnel		4,051	2,866
Audit Fees	F2-1	238	247
Bank charges		638	575
Bush regeneration		5,226	4,450
Cleaning		6,997	6,898
Consultancy		491	386
Councillor and Mayoral fees and associated expenses	F1-2	802	691
Election expenses		-	1,371
Electricity, heating and water		4,673	4,109
Environment and floodplain management		2,781	3,645
Fine processing fees		717	828
Golf course and driving range		1,426	1,313
Insurance		3,773	3,452
IT and communications		10,433	9,555
Kimbriki Waste and Recycling Centre		15,559	16,632
Land use planning		636	1,002
Legal fees - other		1,515	1,210
Legal fees - planning and development		863	1,044
Lifeguard services		1,497	1,442
Maintenance and servicing		6,488	5,889
Management fees		2,247	1,917
Other contracts		5,605	6,143
Parking		712	667
Performance and events		1,734	2,166
Plant and vehicle		2,934	2,442
Printing, postage and stationery		1,162	1,057
Raw materials and consumables		4,515	4,010
Recreation and sportsfields		8,428	7,608
Roadwork		14,021	6,249
Stormwater		1,438	883
Street lighting		2,711	2,444
Training costs		781	693
Tree works		3,835	5,611
Valuation fees		471	477
Waste collection ¹		18,167	17,077
Waste disposal and processing		15,393	12,370
Materials and services - other		4,315	3,347
Total materials and services		157,273	142,766
Less: capitalised costs		-	-
Total materials and services		157,273	142,766

Accounting policy

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

(1) The total amount paid for waste collection inclusive of lease components of the contract in 2023 is \$19.6m (2022 \$18.5m).

B3-3 Borrowing costs

\$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on leases		251	288
Interest on loans		762	826
Total interest bearing liability costs		1,013	1,114
Total interest bearing liability costs expensed		1,013	1,114
(ii) Other borrowing costs			
Unwinding of discount asset remediation ¹	C3-5	1,725	1,510
Total other borrowing costs		1,725	1,510
Total borrowing costs expensed		2,738	2,624

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.

(1) 'Unwinding of discount asset remediation' refers to the increase in the landfill remediation provision each year, to reflect the present value of the estimated future expenditure to remediate the Kimbriki landfill.

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
– Buildings	C1-6	8,721	7,994
– Roads	C1-6	11,839	10,783
– Stormwater	C1-6	6,156	6,916
– Recreational and other infrastructure	C1-6	6,167	5,595
– Right of use assets	C2-1	1,299	1,366
– Other ¹	C1-6	11,876	12,136
Reinstatement, rehabilitation and restoration assets:			
– Asset remediation ²	C3-5,C1-6	763	718
Total depreciation, amortisation and impairment of non-financial assets		46,821	45,508

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.

(1) Other refers to non-infrastructure assets including plant & equipment, office equipment, furniture & fittings, depreciable land improvements and library books.

(2) 'Asset remediation' refers to the amortisation of the landfill remediation asset.

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables	C1-4	40	55
Donations, contributions and assistance to other organisations		2,839	4,830
Contributions/levies to other levels of government:			
- Crown land levy		171	122
- Emergency services levy		7,785	6,416
- Land tax		324	329
- Planning levy		703	691
- Waste levy		8,903	8,526
Total other expenses		20,765	20,969

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		55	1,739
Less: carrying amount of property assets sold/written off		–	(503)
Gain (or loss) on disposal		55	1,236
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		2,112	1,995
Less: carrying amount of plant and equipment assets sold/written off		(523)	(492)
Gain (or loss) on disposal		1,589	1,503
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(1,477)	(1,779)
Gain (or loss) on disposal		(1,477)	(1,779)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		272,227	338,038
Less: carrying amount of financial assets sold/redeemed/matured		(272,227)	(338,038)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		167	960

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 28 June 2023 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 actual results and budget that invariably occur during the year.

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

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

\$ '000	2023 <i>Budget</i>	2023 <i>Actual</i>	2023 <i>Variance</i>		
Revenues					
Rates and annual charges	234,543	234,424	(119)	0%	U
User charges and fees	89,113	91,876	2,763	3%	F
Other revenues	18,960	20,086	1,126	6%	F
Operating grants and contributions	19,648	31,496	11,848	60%	F
Council budgets for recurring and secured operating grants and contributions. Variations to the budget include:					
<ul style="list-style-type: none"> • \$5.9m Regional and Local Road Repair Program grant • \$3.5m Financial Assistance Grant (timing of payments across financial years) • \$1.9m Natural Disaster Essential Public Asset Restoration funding for storms • \$0.7m Start Strong free preschool funding and other childcare grants 					
Capital grants and contributions	29,764	33,917	4,153	14%	F
Council budgets conservatively for capital grants and contributions so as to avoid reliance on unsecured funding. Variations to the budget include:					
<ul style="list-style-type: none"> • \$6.9m Developer contributions • \$1.4m Safer Schools Infrastructure funding • \$1.2m NSW RFS and Duffy's Forest Rural Fire Brigade contributions • (\$5.2m) Connecting Communities Cycleways Program delays 					
Interest and investment revenue	1,034	7,085	6,051	585%	F
Increased returns on investments of \$6.1m were due primarily to higher interest rates and, to a much lesser extent, higher cash and investment balances.					
Net gains from disposal of assets	457	167	(290)	(63)%	U
Council takes the conservative position not to budget for gains on disposal of assets with the exception of planned plant and equipment sales.					
<ul style="list-style-type: none"> • \$1.1m Plant and fleet net gain due to stronger sale returns and supply delays which resulted in lower book values • \$0.1m Proceeds on the sale of a road reserve at Herbert Avenue Newport • (\$1.5m) Written down value of infrastructure assets disposed during the renewal process. 					
Other income	6,821	6,392	(429)	(6)%	U

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----		
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Expenses

Employee benefits and on-costs	147,610	146,153	1,457	1%	F
Materials and services	145,251	157,273	(12,022)	(8)%	U

The variance to the Original budget primarily reflects:

- Expenditure on grant funded projects including road works under the Regional and Local Road Repair Program (\$5.8m) and works following storm events (\$4.2m).
- Agency personnel to support the delivery of projects including the Enterprise Resource Planning system replacement, IT, Wakehurst Parkway flood investigations and backfilling vacant roles.

Borrowing costs	2,207	2,738	(531)	(24)%	U
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Increase in the provision for the future remediation of the Kimbriki landfill site resulted in higher costs for the unwinding of the discount \$0.4m. Increases in interest rates resulted in higher variable loan expenses \$0.1m.

Depreciation, amortisation and impairment of non-financial assets	46,767	46,821	(54)	0%	U
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Other expenses	19,946	20,765	(819)	(4)%	U
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Statement of cash flows

Cash flows from operating activities	83,921	110,689	26,768	32%	F
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The favourable performance against budget primarily reflects:

- Interest received on investments is primarily due to higher interest rates.
- User charges and fees were stronger with continued recovery from the pandemic especially at the Aquatic Centres and Lakeside Holiday Park.
- Grants and contributions were higher due to the advanced receipt of the 2023/24 Financial Assistance grant and the receipt of both the Regional and Local Road Repair Program works grant and Local Emergency funding for storm events.

Cash flows from investing activities	(82,418)	(104,702)	(22,284)	27%	U
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The unfavourable performance against budget primarily reflects:

- Payments for IPPE were lower than expected due to supply issues delaying the progress of some projects along with waiting for actions by external parties. Council also delayed the commencement of construction of some projects to provide further time for consultation.
- A higher investments balance due to the reasons noted above.

Cash flows from financing activities	(6,141)	(6,079)	62	(1)%	F
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C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank ¹	2,571	1,174
Cash equivalent assets		
– Deposits at call	4,034	5,523
Total cash and cash equivalents	6,605	6,697

(1) 2022 has been restated due to the reclassification of clearing accounts totaling \$0.1m from cash to receivables.

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,605	6,697
Balance as per the Statement of Cash Flows	6,605	6,697

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Financial assets at fair value through the profit and loss				
Mortgage backed securities	–	678	–	760
Total	–	678	–	760
Debt securities at amortised cost				
Term deposits	175,623	–	150,625	–
Total	175,623	–	150,625	–
Total financial investments	175,623	678	150,625	760

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)

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 and allocated cash, cash equivalents and investments

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	182,906	158,082
Less: Externally restricted cash, cash equivalents and investments	<u>(53,127)</u>	<u>(41,492)</u>
Cash, cash equivalents and investments not subject to external restrictions	129,779	116,590
\$ '000	Notes	2023
		2022

External restrictions

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

Developer contributions – general	A	43,446	36,457
Specific purpose unexpended grants	B	597	566
Domestic waste management	C	8,466	3,746
Stormwater management	D	161	570
Balgowlah area improvements	E	206	117
Manly business centre improvements	F	251	36
Total external restrictions		53,127	41,492
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 the stormwater management service charge to be used on stormwater works
- E Funds received through a special rate are set aside to be used on future works in Balgowlah around Sydney Road and Condamine Street
- F Funds received through a special rate are set aside to be used on future works in the Manly Business Centre

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

\$ '000	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	129,779	116,590
Less: Internally allocated cash, cash equivalents and investments	<u>(90,833)</u>	<u>(80,184)</u>
Unallocated cash, cash equivalents and investments	38,946	36,406

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

\$ '000	Notes	2023	2022
Internal allocations			
At 30 June, Council has internally allocated funds to the following:			
Mona Vale Cemetery reserve	A	7,903	7,245
Deposits, retentions and bonds	B	17,550	15,380
Employees leave entitlements	C	7,111	7,026
Environmental levy (former Manly Council)	D	1,411	1,532
Meals on wheels	E	216	258
Road reserve	F	-	-
Special rates variation (former Pittwater Council)	G	228	236
Merger savings fund	H	1,315	1,699
Tennis liaison trust fund	I	171	221
Manly Art Gallery	J	716	705
Plant and fleet replacement	K	6,485	3,327
Property improvement reserve	L	242	294
Kimbriki landfill remediation	M	15,418	13,597
Stronger Communities fund tied grants	N	5,251	6,441
Other tied grants	N	26,710	22,159
Other	O	106	64
Total internal allocations		90,833	80,184

Internal allocations over cash, cash equivalents and investments are those assets restricted by a resolution of the Council for specific future purposes. Internal allocations 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 79% of deposits, retentions and bonds are held as restricted funds.
- C 20% of the employee leave entitlements 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 restricted for future capital works and improvements at the tennis clubs.
- J Bequest to Council from Theodore Batten to fund future youth art award programs and artwork acquisitions.
- K Funds set aside for future plant and fleet replacement.
- L Funds set aside to support the delivery of the Property Management Framework for the delivery of community infrastructure, environmental land acquisitions and commercial development.
- 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. Significant unspent grants in 2023 included Warringah Recreation Centre, Regional and Local Roads Repair, Frenchs Forest Precinct Support Scheme and Pipeline Regional Active Corridor projects. Significant unspent grants in 2022 included Currawong Cabin Renovations, Manly Dam and Transport for NSW B-Line projects.
- O Other internal allocations:
- Any cash surplus from the Bible Garden Public Reserve is restricted to fund future maintenance at the site.
 - Funds donated to Manly Art Gallery to be expended on future artworks.
 - Cash set aside as a contribution towards the future replacement of pipeline and ongoing maintenance to the Scotland Island non potable emergency water supply.

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

\$ '000	2023	2022
(c) Unallocated		
Unallocated cash, cash equivalents and investments	38,946	36,406

Unallocated 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.

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current ¹	Non-current	Current ¹	Non-current
Rates and annual charges	7,103	591	6,994	592
Interest and extra charges	707	421	661	415
User charges and fees ¹	4,439	–	3,746	–
Interest on investments	2,451	–	291	–
Government grants and subsidies ¹	3,150	–	11,065	–
Other	1,735	–	905	–
Net GST receivable	2,062	–	1,924	–
Total	21,647	1,012	25,586	1,007
Less: provision for impairment				
Rates and annual charges	(126)	–	(123)	–
User charges and fees	(677)	–	(672)	–
Total provision for impairment – receivables	(803)	–	(795)	–
Total net receivables	20,844	1,012	24,791	1,007

(1) 2022 has been restated due to the reclassification of clearing accounts totalling \$0.1m from cash to receivables.

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 estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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 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.

C1-5 Inventories

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
(i) Inventories at cost				
Stores and materials	247	–	284	–
Trading stock	125	–	113	–
Total inventories at cost	372	–	397	–
Total inventories	372	–	397	–

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 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	43,768	–	43,768	39,729	42,518	–	–	(81,614)	–	–	44,401	–	44,401
Plant and equipment	44,841	(21,376)	23,465	2,376	1,112	(554)	(5,622)	–	–	–	45,331	(24,554)	20,777
Office equipment	25,866	(22,085)	3,781	2,157	714	–	(2,000)	–	–	–	28,729	(24,077)	4,652
Furniture and fittings	2,790	(2,047)	743	–	19	–	(161)	–	–	–	2,808	(2,207)	601
Land:													
– Operational land	401,276	–	401,276	–	–	–	–	–	–	1,541	402,817	–	402,817
– Community & Crown land	2,116,343	–	2,116,343	–	835	–	–	–	(33,881)	–	2,083,297	–	2,083,297
– Land under roads (post 30/6/08)	725	–	725	–	3	–	–	–	–	31	759	–	759
Land improvements – depreciable	24,304	(10,847)	13,457	400	–	(10)	(2,970)	22	–	–	24,711	(13,812)	10,899
Infrastructure:													
– Buildings	735,672	(203,343)	532,329	12,571	10,379	(13)	(8,721)	–	–	34,724	804,502	(223,233)	581,269
– Roads sealed	565,179	(67,182)	497,997	8,523	1,086	(355)	(8,192)	–	–	32,741	608,614	(76,814)	531,800
– Roads unsealed	1,927	(271)	1,656	82	31	–	(5)	–	–	109	2,167	(294)	1,873
– Bridges	14,876	(3,677)	11,199	309	1,508	–	(192)	–	–	736	17,424	(3,864)	13,560
– Footpaths	126,790	(13,357)	113,433	3,247	4,945	(351)	(1,524)	–	–	7,458	141,969	(14,761)	127,208
– Other road assets (including bulk earthworks)	270,156	(43,813)	226,343	2,435	2,895	(435)	(1,926)	–	–	14,881	291,613	(47,420)	244,193
– Stormwater drainage	1,036,493	(181,496)	854,997	3,702	2,244	(44)	(6,156)	–	–	56,207	1,110,453	(199,503)	910,950
– Swimming pools	30,774	(5,828)	24,946	1,077	–	(124)	(298)	–	–	13,702	47,311	(8,008)	39,303
– Other open space/recreational assets	146,131	(21,477)	124,654	2,349	1,986	(131)	(3,737)	39	–	15,425	159,465	(18,880)	140,585
– Other infrastructure	234,302	(36,394)	197,908	5,033	9,490	(26)	(2,132)	(39)	–	17,309	266,724	(39,181)	227,543
Other assets:													
– Library books	19,404	(16,062)	3,342	–	685	–	(1,123)	–	–	–	20,088	(17,184)	2,904
– Other	5,326	(1)	5,325	–	12	–	–	–	–	–	5,338	(1)	5,337
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Asset remediation	27,063	(6,251)	20,812	–	(970)	–	(763)	–	–	–	26,093	(7,014)	19,079
Total infrastructure, property, plant and equipment	5,874,006	(655,507)	5,218,499	83,990	79,492	(2,043)	(45,522)	(81,592)	(33,881)	194,864	6,134,614	(720,807)	5,413,807

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

(-) Total capital expenditure was \$82.9m (including \$0.8m in dedicated assets) in 2023 and \$76.9m (no dedicated assets) in 2022.

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	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	36,229	–	36,229	32,297	44,405	–	–	(69,163)	–	43,768	–	43,768
Plant and equipment	44,376	(18,374)	26,002	3,461	224	(488)	(5,722)	(12)	–	44,841	(21,376)	23,465
Office equipment	23,927	(19,635)	4,292	1,461	564	(22)	(2,520)	6	–	25,866	(22,085)	3,781
Furniture and fittings	2,250	(2,001)	249	–	565	–	(57)	(14)	–	2,790	(2,047)	743
Land:												
– Operational land	383,584	–	383,584	–	–	(218)	–	–	17,910	401,276	–	401,276
– Community & Crown land	2,116,454	–	2,116,454	–	174	(285)	–	–	–	2,116,343	–	2,116,343
– Land under roads (post 30/6/08)	725	–	725	–	–	–	–	–	–	725	–	725
Land improvements – depreciable	21,820	(8,201)	13,619	9	–	(25)	(2,714)	2,568	–	24,304	(10,847)	13,457
Infrastructure:												
– Buildings	694,661	(188,717)	505,944	10,283	7,193	–	(7,994)	(5)	16,908	735,672	(203,343)	532,329
– Roads sealed	537,899	(60,087)	477,812	7,412	566	(326)	(7,989)	69	20,452	565,179	(67,182)	497,997
– Roads unsealed	1,910	(251)	1,659	–	–	–	(7)	(68)	72	1,927	(271)	1,656
– Bridges	12,436	(3,387)	9,049	1,649	–	–	(74)	–	575	14,876	(3,677)	11,199
– Footpaths	120,869	(12,851)	108,018	1,698	4,512	(203)	(823)	–	231	126,790	(13,357)	113,433
– Other road assets (including bulk earthworks)	252,114	(40,459)	211,655	2,893	3,609	(916)	(1,891)	–	10,993	270,156	(43,813)	226,343
– Stormwater drainage	980,704	(166,608)	814,096	5,525	563	(119)	(6,916)	–	41,848	1,036,493	(181,496)	854,997
– Swimming pools	28,831	(5,101)	23,730	181	–	–	(443)	–	1,478	30,774	(5,828)	24,946
– Other open space/recreational assets	133,538	(18,039)	115,499	2,985	2,575	(185)	(3,297)	(1)	7,078	146,131	(21,477)	124,654
– Other infrastructure	215,764	(33,984)	181,780	4,673	2,496	(30)	(1,854)	1	10,843	234,302	(36,394)	197,908
Other assets:												
– Library books	18,514	(14,938)	3,576	881	8	–	(1,123)	–	–	19,404	(16,062)	3,342
– Other	4,771	(1)	4,770	–	555	–	–	–	–	5,326	(1)	5,325
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Asset remediation	28,942	(5,533)	23,409	–	(1,879)	–	(718)	–	–	27,063	(6,251)	20,812
Total infrastructure, property, plant and equipment	5,660,318	(598,167)	5,062,151	75,408	66,130	(2,817)	(44,142)	(66,619)	128,388	5,874,006	(655,507)	5,218,499

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

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

Accounting policy

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

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.

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:

Plant and equipment	Years	Other equipment	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		
		Buildings	
		Buildings - Masonry	50 to 100
		Buildings - Other	20 to 40
		Stormwater Drainage	
		Drains	60 to 100
		Other Assets	
		Library Books	5 to 15
		Artworks	indefinite

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

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

Capitalisation Thresholds

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

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

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

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

Owned investment property

\$ '000	2023	2022
At fair value		
Opening balance at 1 July	6,155	5,835
Net gain/(loss) from fair value adjustments	165	320
Closing balance at 30 June	6,320	6,155

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

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 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. The right of use asset leases for this category expired during the year and are now short term leases on either a month to month or annual basis. Therefore all leases for office and IT equipment are now either low value or short term.

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. For the URM contract the variable lease payments are adjusted for CPI. However the actual lease liability which relates to the waste collection trucks only is not affected by this due to the fact that Council calculated the value of these assets as stand alone items.

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 & Equipment</i>	<i>Buildings</i>	<i>Office and IT Equipment</i>	<i>Total</i>
2023				
Opening balance at 1 July	8,540	542	28	9,110
Depreciation charge	(1,217)	(54)	(28)	(1,299)
Balance at 30 June	7,323	488	–	7,811
2022				
Opening balance at 1 July	9,767	596	112	10,475
Depreciation charge	(1,227)	(54)	(85)	(1,366)
Adjustments due to re-measurement of lease liability	–	–	1	1
Balance at 30 June	8,540	542	28	9,110

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	1,241	6,996	1,238	8,237
Total lease liabilities	1,241	6,996	1,238	8,237

(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>< 1 year</i>	<i>1 – 5 years</i>	<i>> 5 years</i>	<i>Total</i>	<i>Total per Statement of Financial Position</i>
2023					
Cash flows	1,457	5,849	1,598	8,904	8,237
2022					
Cash flows	1,489	5,840	3,134	10,463	9,475

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	251	288
Variable lease payments based on usage not included in the measurement of lease liabilities	17,270	16,526
Depreciation of right of use assets	1,299	1,366
Expenses relating to low-value leases	273	206
	19,093	18,386

C2-1 Council as a lessee (continued)

\$ '000	2023	2022
(e) Statement of Cash Flows		
Total cash outflow for leases	<u>(1,489)</u>	<u>(1,558)</u>
	(1,489)	(1,558)

(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 Scout Association of Australia
- Sports Clubs
- Commonwealth of Australia
- Marine Rescue NSW
- Police Citizens Youth Clubs NSW
- The Uniting Church in Australia Property Trust

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.

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	2023	2022
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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)	233	246
Direct operating expenses from property that generated rental income	(50)	(20)
Direct operating expenses from property that did not generate rental income	-	-
Total income relating to operating leases for investment property assets	183	226

(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)	5,974	6,153
Total income relating to operating leases for Council assets	5,974	6,153

Amount of IPPE leased out by Council under operating leases

Buildings	214,749	190,041
Community & Crown Land	8,072	18,353
Operational land	874	874
Total amount of IPPE leased out by Council under operating leases	223,695	209,268

(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	4,694	4,936
1–2 years	3,001	3,028
2–3 years	2,407	2,599
3–4 years	2,024	2,077
4–5 years	1,911	1,712
> 5 years	20,615	18,206
Total undiscounted lease payments to be received	34,652	32,558

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Payables				
Goods and services	6,324	–	8,720	–
Accrued expenses:				
– Borrowings	90	–	141	–
– Salaries and wages	5,596	–	4,763	–
– Other expenditure accruals	11,099	–	9,190	–
Security bonds, deposits and retentions	22,133	–	19,963	–
Government departments and agencies	28	–	100	–
Prepaid rates	2,254	–	2,292	–
Other	282	100	224	150
Total payables	47,806	100	45,393	150
Total payables	47,806	100	45,393	150

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	13,356	13,712
Total payables	13,356	13,712

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	13,864	2,950	18,011	2,162
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	9,550	5,289	2,836	5,304
Total grants received in advance		23,414	8,239	20,847	7,466
Deposits received in advance of services provided		4,205	-	3,359	-
Total user fees and charges received in advance		4,205	-	3,359	-
Total contract liabilities		27,619	8,239	24,206	7,466

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, libraries and other infrastructure. The funds received are under an enforceable contract which requires Council to construct an identified asset that 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	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	5,401	12,027
Operating grants (received prior to performance obligation being satisfied)	2,522	2,135
User fees and charges received in advance:		
Deposits received in advance of services provided (e.g. caravan park fees, hire fees)	3,359	2,706
Total revenue recognised that was included in the contract liability balance at the beginning of the period	11,282	16,868

Significant changes in contract liabilities

The contract liabilities have increased from \$31.7m in 21/22 to \$35.9m in 22/23 primarily due to the receipt of several large grants including the Warringah Recreation Centre Upgrade funds of \$1.5m and the Regional and Local Road Repair funds of \$3.3m. The increase in the contract liabilities was offset by the expenditure of several significant grants relating to the construction of Council controlled assets. This included the Currawong Cottages Restoration funds of \$1.3m and the B-Line funding of \$0.6m.

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	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured	3,340	9,185	4,770	12,538
Total borrowings	3,340	9,185	4,770	12,538

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements			2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	17,308	(4,782)	–	–	–	12,526
Lease liabilities (Note C2-1b)	9,475	(1,238)	–	–	–	8,237
Total liabilities from financing activities	26,783	(6,020)	–	–	–	20,763

\$ '000	2021		Non-cash movements			2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	22,326	(5,018)	–	–	–	17,308
Lease liabilities (Note C2-1b)	10,743	(1,269)	–	1	–	9,475
Total liabilities from financing activities	33,069	(6,287)	–	1	–	26,783

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	5,500	5,500
Credit cards/purchase cards	150	150
Total financing arrangements	5,650	5,650

(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	35	39
Total drawn financing arrangements	35	39

Undrawn facilities

– Bank overdraft facilities	5,500	5,500
– Credit cards/purchase cards	115	111
Total undrawn financing arrangements	5,615	5,611

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. Lease liabilities are secured by the underlying leased assets.

C3-3 Borrowings (continued)

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	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	11,857	–	12,693	–
Sick leave	237	–	283	–
Long service leave	22,346	1,843	22,326	761
Gratuities	8	–	8	–
Other leave	306	–	243	–
Total employee benefit provisions	34,754	1,843	35,553	761

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits ¹	20,284	20,852
	20,284	20,852

(1) Primarily relates to long service leave.

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 (Kimbriki staff) 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.

C3-5 Provisions

\$ '000	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
Other provisions				
Self insurance – workers compensation	1,060	3,615	759	2,681
Sub-total – other provisions	1,060	3,615	759	2,681
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	41,479	–	40,723
Sub-total – asset remediation/restoration	–	41,479	–	40,723
Total provisions	1,060	45,094	759	43,404

Description of and movements in provisions

\$ '000	Other provisions		
	Self insurance	Asset remediation	Total
2023			
At beginning of year	3,440	40,723	44,163
Unwinding of discount	–	1,725	1,725
Additional provisions	1,939	–	1,939
Amounts used (payments)	(704)	–	(704)
Remeasurement effects	–	(969)	(969)
Total other provisions at end of year	4,675	41,479	46,154
2022			
At beginning of year	3,819	41,093	44,912
Unwinding of discount	–	1,509	1,509
Additional provisions	351	–	351
Amounts used (payments)	(730)	–	(730)
Remeasurement effects	–	(1,879)	(1,879)
Total other provisions at end of year	3,440	40,723	44,163

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 and has been subsequently reviewed in June 2023 to allow for the necessary updates. The projected cost of this restoration is \$142.3m based on the latest updates to the 2020 Landfill Closure and Post Closure Management Evaluation of Costs Report. The 30th June 2023 Weekly Yield Report government bond rate applicable to the discount period has 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 2.97% and the provision has been discounted to its present value at 4.34% per annum.

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 3.500% - 4.500% per annum and Bond Yields of 3.610% - 4.515% 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 2023;

C3-5 Provisions (continued)

- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in standardised values as at June 2023.

The last actuarial assessment of Workers Compensation claims was undertaken in July 2023 for the 30 June 2023 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 \$650,000. Claims above \$650,000 are covered by an external insurance provider. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains a bank guarantee to the value of \$3,687,000; - refer to Note E3-1 (1.iii).

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation surplus

The infrastructure, property, plant and equipment (IPPE) revaluation surplus 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 2023	Ownership 2022	Voting rights 2023	Voting rights 2022
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) be 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	2023	2022
Summarised statement of comprehensive income		
Revenue	42,717	43,618
Expenses	(38,569)	(38,261)
Profit for the period	4,148	5,357
Total comprehensive income	4,148	5,357
Non-controlling interest share	159	206
Dividends paid to non-controlling interests	58	38
Summarised statement of financial position		
Current assets	27,305	32,512
Non-current assets	40,768	31,899
Total assets	68,073	64,411
Current liabilities	7,136	7,456
Non-current liabilities	24,341	23,006
Total liabilities	31,477	30,462
Net assets	36,596	33,949
Non-controlling interest share	1,405	1,304
Summarised statement of cash flows		
Cash flows from operating activities	9,636	9,926
Cash flows from investing activities	(12,865)	(2,756)
Cash flows from financing activities	(2,158)	(1,631)
Net increase (decrease) in cash and cash equivalents	(5,387)	5,539

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 (with the exception of this note). 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.

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)** credit risk, **(2)** liquidity risk and **(3)** 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.

The risks associated with the instruments held are:

- **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	2023	2022
The impact on the 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	1,822	1,572
Impact of a 10% movement in price of investments		
– Equity / Income Statement	68	76

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.

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

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to 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>overdue rates and annual charges</i>		<i>Total</i>
		<i>< 5 years</i>	<i>≥ 5 years</i>	
2023				
Gross carrying amount	–	6,132	1,562	7,694
2022				
Gross carrying amount	–	6,069	1,517	7,586

Receivables - non-rates and annual charges

Council applies the simplified approach for 'non-rates and annual charges' debtors 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 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>Overdue debts</i>				<i>Total</i>
		<i>0 - 30 days</i>	<i>31 - 60 days</i>	<i>61 - 90 days</i>	<i>> 91 days</i>	
2023						
Gross carrying amount ¹	10,050	1,203	513	1,710	1,489	14,965
Expected loss rate (%)	0.67%	2.74%	6.63%	2.98%	33.04%	4.53%
ECL provision	67	33	34	51	492	677
2022						
Gross carrying amount ¹	16,440	692	316	107	1,452	19,007
Expected loss rate (%)	1.10%	3.76%	4.75%	41.12%	27.96%	3.54%
ECL provision	181	26	15	44	406	672

(1) 2022 has been restated due to the reclassification of clearing accounts totalling \$0.1m from cash to receivables.

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, with the exception of the planned refinancing of two loans for a further ten years (for which the residuals on maturity are \$2.5m by June 2024, and \$2.4m by June 2025). For other loans, 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(c) 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>≤ 1 Year</i>	<i>payable in:</i>		<i>Total cash outflows</i>	<i>Actual carrying values</i>
				<i>1 - 5 Years</i>	<i>> 5 Years</i>		
2023							
Payables	0.00%	22,133	25,673	100	–	47,906	47,906
Borrowings	5.91%	–	3,340	5,584	3,601	12,525	12,525
Total financial liabilities		22,133	29,013	5,684	3,601	60,431	60,431
2022							
Payables	0.00%	19,963	25,430	150	–	45,543	45,543
Borrowings	4.99%	–	4,770	8,056	4,482	17,308	17,308
Total financial liabilities		19,963	30,200	8,206	4,482	62,851	62,851

Loan agreement breaches

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

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				Total	
		Level 2 Significant observable inputs 2023	2022	Level 3 Significant unobservable inputs 2023	2022	2023	2022
Recurring fair value measurements							
Financial assets							
At fair value through profit or loss	C1-2	678	760	–	–	678	760
Total financial assets		678	760	–	–	678	760
Investment property							
Commercial Office and Retail	C1-7	6,320	6,155	–	–	6,320	6,155
Total investment property		6,320	6,155	–	–	6,320	6,155
Infrastructure, property, plant and equipment							
Plant & Equipment	C1-6	–	–	20,777	23,465	20,777	23,465
Office Equipment		–	–	4,652	3,781	4,652	3,781
Furniture & Fittings		–	–	601	743	601	743
Operational Land		402,817	401,276	–	–	402,817	401,276
Community & Crown Land		–	–	2,083,297	2,116,343	2,083,297	2,116,343
Land Under Roads		–	–	759	725	759	725
Land Improvements - Depreciable		–	–	10,899	13,457	10,899	13,457
Buildings		–	–	581,269	532,329	581,269	532,329
Roads Sealed		–	–	531,800	497,997	531,800	497,997
Roads Unsealed		–	–	1,873	1,656	1,873	1,656
Other Road Assets		–	–	244,193	226,343	244,193	226,343
Bridges		–	–	13,560	11,199	13,560	11,199
Footpaths		–	–	127,208	113,433	127,208	113,433
Drainage Infrastructure		–	–	910,950	854,997	910,950	854,997
Swimming Pools		–	–	39,303	24,946	39,303	24,946
Other Open Space/Recreational Assets		–	–	140,585	124,654	140,585	124,654
Other Infrastructure		–	–	227,543	197,908	227,543	197,908
Library Books		–	–	2,904	3,342	2,904	3,342
Other		–	–	5,337	5,325	5,337	5,325
Remediation asset		–	–	19,079	20,812	19,079	20,812

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Total infrastructure, property, plant and equipment		402,817	401,276	4,966,589	4,773,455	5,369,406	5,174,731

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 (30/6/23)	Valuation technique/s	Unobservable inputs
Investments - at fair value through profit or loss	678	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	6,320	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	402,817	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.

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment, Office Equipment, Furniture & Fittings, Library Books and Other Assets	34,271	Depreciated historical cost assessed as fair value	Asset condition and remaining useful life
Community Land and Crown Land	2,083,297	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	759	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	10,899	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	581,269	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	531,800	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Unsealed	1,873	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Other Assets	244,193	Unit rates per m2 and length	Asset condition and remaining useful life
Bridges	13,560	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	127,208	Unit rates per m2 and length	Asset condition and remaining useful life
Drainage Infrastructure	910,950	Unit rates per m2 and length	Asset condition and remaining useful life
Swimming Pools	39,303	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	140,585	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	227,543	Replacement cost used to approximate fair value	Asset condition and remaining useful life

E2-1 Fair value measurement (continued)

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Asset Remediation	19,079	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	Total IPP&E	
	2023	2022
Opening balance	4,773,455	4,642,338
Total gains or losses for the period		
Recognised in profit or loss – realised (refer to Note B4-1)	112	(276)
Other movements		
Purchases	81,233	64,836
Sales	(2,155)	(2,324)
Depreciation and impairment	(45,521)	(44,142)
Other Movements	22	2,545
Revaluations	159,443	110,478
Closing balance	4,966,589	4,773,455

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 AASB 119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119 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 \$20.0m per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. 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;
 2. 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;
 3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
 4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

E3-1 Contingencies (continued)

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 contribution for the next annual reporting period is \$835,652.
- iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	2,290.90	
Past Service Liabilities	2,236.10	102.40%
Vested Benefits	2,253.60	101.70%

*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	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY22/23 2.5% per annum thereafter

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

- 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 \$523,916 as a percentage of the total past service contributions of all Pooled Employers (of \$20.0m for each year from 1 January 2022 to 31 December 2024) is 2.62% which provides an indication of the level of participation of Northern Beaches 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 \$650,000. Claims above \$650,000 are covered by an external insurance provider. Council provides bank guarantees to the value of \$3,687,000 to secure its self-insurance licence for workers compensation. The guarantee is provided to the State Insurance Regulatory Authority.

E3-1 Contingencies (continued)

(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.

Council believes that it is appropriately covered for all claims through its insurance coverage. It is further believed that the insurance coverage in place is at a level which will be able to accommodate any potential future material liabilities should such matters arise.

(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 2023, Council was party to 27 Class 1 appeals and 3 Class 4 appeals in the Land & Environment Court. In addition Council is a party to a matter in the Supreme Court of NSW and a matter in the NSW Court of Appeal. 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 ordinarily unlikely to cost Council in excess of \$100,000 individually, the situation will depend on the circumstances of the specific proceedings and 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, Council may be required to purchase the land in accordance with the provisions of the Land Acquisition (Just Terms Compensation) Act 1991.

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.

E3-1 Contingencies (continued)

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

Council experienced major storm events in December 2021, February, March and June 2022. Ongoing cleanup and remediation works were carried out in the 2023 financial year. Council is seeking Natural Disaster Relief funding through the Commonwealth and State Government arrangement. Claims from previous financial years are also under assessment for funding.

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 15 Councillors including the Mayor, one Chief Executive Officer, six Directors, and one Public Officer.

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	3,513	3,526
Post-employment benefits	253	193
Other long-term benefits	114	156
Total	3,880	3,875

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 2023 and 2022 there were no other transactions with KMP and their related parties.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses are included in materials and services expenses in the Income Statement. These expenses, also included in the KMP compensation table above, are:		
Mayoral fee ¹	102	90
Councillors' fees ¹	522	465
Other Councillors' expenses (including Mayor) ²	178	136
Total	802	691

(1) 2023 fees now include superannuation.

(2) 2023 increased due to the return of training and conference opportunities which had been lower in the prior year due to COVID restrictions.

F1-3 Other related parties

\$ '000	Transactions during the year	Outstanding balances including commitments	Terms and conditions
2023			
Subsidiary - Kimbriki Environmental Enterprises Pty Limited			
Tipping Fees	12,595	1,016	
Lease Income	3,341	97	Payable on the 1st of each month
Dividends	1,445	-	
2022			
Subsidiary - Kimbriki Environmental Enterprises Pty Limited			
Tipping Fees	13,886	1,055	
Lease Income	3,481	601	Payable on the 1st of each month
Dividends	963	-	

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
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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

	238	247
Remuneration for audit and other assurance services	238	247

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
Net operating result from Income Statement	51,693	61,630
Add / (less) non-cash items:		
Depreciation and amortisation	46,821	45,508
(Gain) / loss on disposal of assets	(167)	(960)
Non-cash capital grants and contributions	(844)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(20)	(17)
– Investment property	(165)	(320)
Unwinding of discount rates on reinstatement provisions	1,725	1,509
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	3,934	(8,884)
Increase / (decrease) in provision for doubtful debts	8	21
(Increase) / decrease of inventories	25	(19)
(Increase) / decrease in other assets	(389)	(947)
Increase / (decrease) in payables	(2,396)	599
Increase / (decrease) in accrued interest payable	(51)	(27)
Increase / (decrease) in other accrued expenses payable	2,742	(1,462)
Increase / (decrease) in other liabilities	3,038	1,627
Increase / (decrease) in contract liabilities	4,186	(4,689)
Increase / (decrease) in employee leave entitlements	283	(3,162)
Increase / (decrease) in other provisions	266	(379)
Net cash flows from operating activities	110,689	90,028

(b) Non-cash investing and financing activities

Non Cash Contributions - Land and Infrastructure	844	–
Total non-cash investing and financing activities	844	–

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Land and Buildings	2,203	4,493
Plant and equipment	107	899
Other	11	191
Infrastructure	14,049	11,944
Total commitments	16,370	17,527

Details of capital commitments

Contractual commitments for capital works currently being undertaken.

G3 Statement of developer contributions as at 30 June 2023

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Drainage	7,342	701	834	–	265	(1,289)	–	7,853	–
Roads	(4,177)	856	–	–	(132)	(56)	–	(3,509)	–
Open space	4,244	805	–	–	153	(244)	–	4,958	–
Community facilities	8,438	442	–	–	301	–	–	9,181	–
Other	1,008	42	–	–	35	(31)	–	1,054	–
Local Infrastructure (Repealed Plan) ¹	2,180	560	–	–	71	(1,632)	–	1,179	–
S7.11 contributions – under a plan	19,035	3,406	834	–	693	(3,252)	–	20,716	–
S7.12 levies – under a plan	16,534	10,076	–	–	713	(5,325)	–	21,998	–
Total S7.11 and S7.12 revenue under plans	35,569	13,482	834	–	1,406	(8,577)	–	42,714	–
S7.11 not under plans	88	–	–	–	–	(16)	–	72	–
S7.4 planning agreements	872	343	1	6	26	(516)	–	732	–
Less: Land	(72)	–	–	–	–	–	–	(72)	–
Total contributions	36,457	13,825	835	6	1,432	(9,109)	–	43,446	–

(1) Local Infrastructure (Repealed Plan) - Funds in repealed contribution plans have been pooled in accordance with Council resolutions on 25/6/19 and 27/4/21.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Former Manly Council - Residential, Commercial, Tourist, Other										
Local Infrastructure (Repealed Plan)	1,361	355	-	-	41	(1,028)	-	729	-	
Total	1,361	355	-	-	41	(1,028)	-	729	-	
Former Manly Council - Parking										
Local Infrastructure (Repealed Plan)	818	205	-	-	30	(603)	-	450	-	
Total	818	205	-	-	30	(603)	-	450	-	
Former Pittwater Council - Open Space, Public Library Services, Community Service Facilities, Village Streetscape										
Local Infrastructure (Repealed Plan)	1	-	-	-	-	(1)	-	-	-	
Total	1	-	-	-	-	(1)	-	-	-	
Former Pittwater Council - Contribution Plan - Warriewood Valley and Material Public Works										
Drainage	7,342	701	834	-	265	(1,289)	-	7,853	-	
Roads	(4,177)	856	-	-	(132)	(56)	-	(3,509)	-	
Open space	4,244	805	-	-	153	(244)	-	4,958	-	
Community facilities	8,438	442	-	-	301	-	-	9,181	-	
Other	(355)	42	-	-	(12)	(24)	-	(349)	-	
Total	15,492	2,846	834	-	575	(1,613)	-	18,134	-	
Dee Why Town Centre Contributions Plan										
Other	1,363	-	-	-	47	(7)	-	1,403	-	
Total	1,363	-	-	-	47	(7)	-	1,403	-	
S7.12 Levies – under a plan										
Former Warringah Council - s7.12 contribution plan										
Local Infrastructure (Repealed Plan)	5,293	1,255	-	-	206	(494)	-	6,260	-	
Total	5,293	1,255	-	-	206	(494)	-	6,260	-	
Northern Beaches Council - s7.12 contribution plan										
Other	11,241	8,821	-	-	507	(4,831)	-	15,738	-	
Total	11,241	8,821	-	-	507	(4,831)	-	15,738	-	

G3-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2022	Contributions received during the year					Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other	Interest and investment income earned					
Former Manly Council										
Local Infrastructure (Repealed Plan)	16	-	-	-	-	(16)	-	-	-	
Total	16	-	-	-	-	(16)	-	-	-	
Former Warringah Council										
Land	72	-	-	-	-	-	-	72	-	
Total	72	-	-	-	-	-	-	72	-	

G3-4 S7.4 planning agreements

Other	872	343	1	6	26	(516)	-	732	-
Total	872	343	1	6	26	(516)	-	732	-

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	17,464	4.46%	4.53%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	391,174			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	359,678	84.61%	82.52%	> 60.00%
Total continuing operating revenue ¹	425,091			
3. Unrestricted current ratio				
Current assets less all external restrictions	152,555	1.92x	1.90x	> 1.50x
Current liabilities less specific purpose liabilities	79,536			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	67,023	7.65x	7.25x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,759			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	8,696	3.57%	3.63%	< 5.00%
Rates and annual charges collectable	243,594			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	182,228	6.13 months	5.59 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	29,725			

(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 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 2023, the Statement of Financial Position as at 30 June 2023, 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 2023, 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).

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

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 2023 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. 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.



Susan Prichard
Delegate of the Auditor-General for New South Wales

25/10/2023
SYDNEY



Mayor - Sue Heins
Northern Beaches Council
PO BOX 82
MANLY NSW 1655

Contact: Sue Prichard
Phone no: 02 8280 5637
Our ref: R008-16585809-46620

25 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
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 2023 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 2023 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

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	234.4	225.9	↑ 3.8
Grants and contributions revenue	65.4	71.1	↓ 8.0
Operating result from continuing operations	51.7	61.6	↓ 16.1

Net operating result
before capital grants and
contributions

17.8

17.7

0.6

Rates and annual charges revenue (\$234.4 million) increased by \$8.5 million (3.8 per cent) in 2022–23 due to a \$4.2 million increase in domestic waste charges and an increase in rates of 2.4 per cent as approved by IPART.

Grants and contributions revenue (\$65.4 million) decreased by \$5.7 million (8.0 per cent) in 2022–23 due to:

- decrease of \$9.0 million of capital grants for transport (other roads and bridges funding)
- increase of \$5.9 million in operating grants for transport (other roads and bridges funding)
- increase of \$2.2 million in capital grants for bushfire services
- decrease of \$4.0 million in capital grants from the stronger communities fund

The Council's operating result from continuing operations (\$51.7 million including depreciation, amortisation and impairment expense of \$46.8 million) was \$9.9 million lower than the 2021–22 result.

The net operating result before capital grants and contributions (\$17.8 million) was \$0.1 million higher than the 2021–22 result.

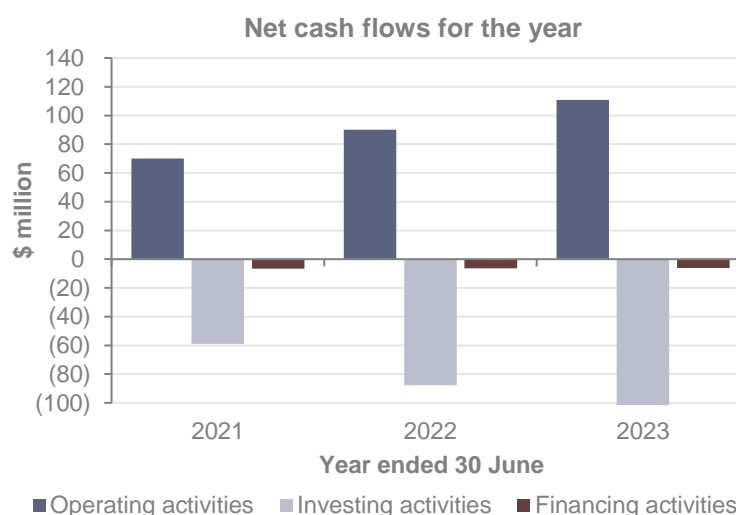
STATEMENT OF CASH FLOWS

Cash balances have increased due to the early receipt of the 2024 financial assistance grant and an \$11.6m increase in externally restricted funds.

Net cash flows from operating activities increased due to higher user charges and fees and grants and contributions.

Net cash flows from investing activities decreased due to the net increase in investments.

Net cash in financing activities was static.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	182.9	158.1	Externally restricted balances mainly comprise developer contributions and domestic waste management which have both increased in the current year.
Restricted and allocated cash, cash equivalents and investments:			Balances are deemed internal allocations due to Council policy or decisions for forward plans including works program.
• External restrictions	53.1	41.5	
• Internal allocations	90.8	80.2	

Debt

At 30 June 2023, Council had:

- \$12.5 million in secured loans (\$17.3 million in 2021-22)
- \$5.5 million in approved overdraft facility with nil drawn down
- \$0.15 million in credit card facility with \$35,000 used.

PERFORMANCE

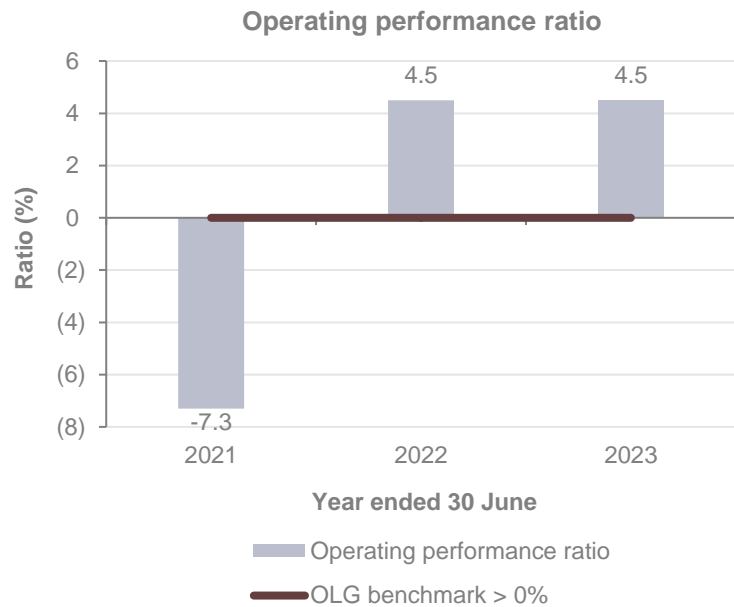
Performance measures

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 and Environment.

Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

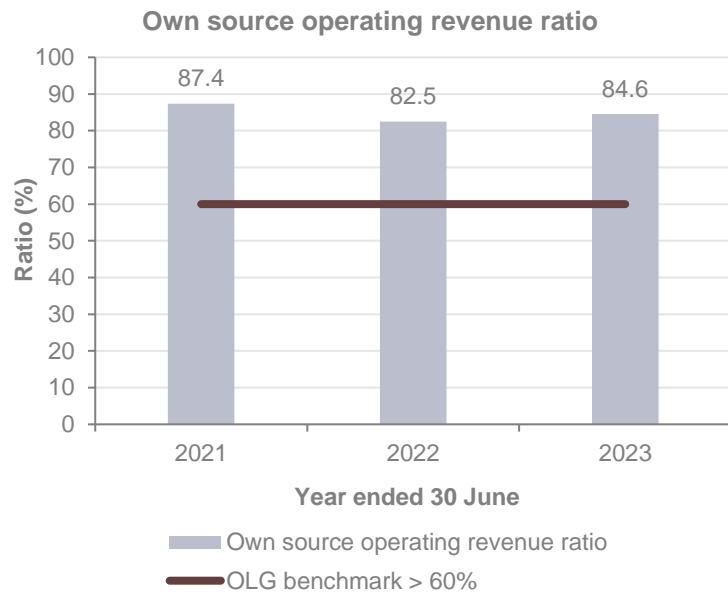
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council continues to exceed the benchmark for the current reporting period.

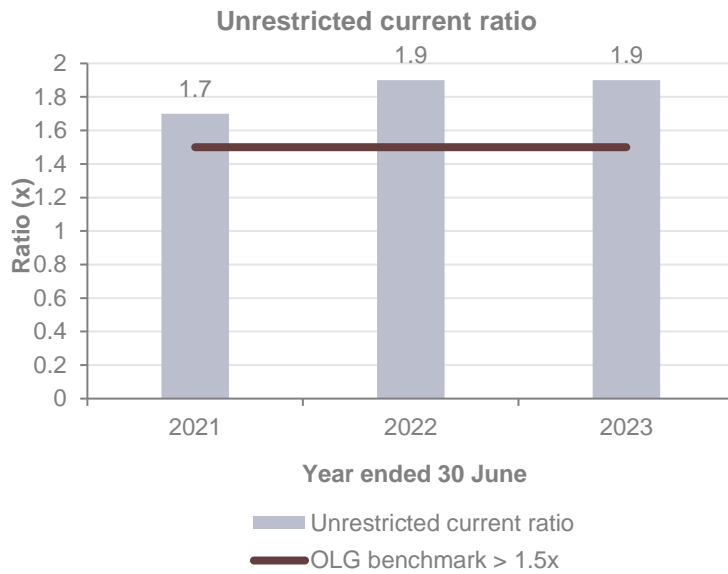
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council continues to exceed the benchmark for the current reporting period.

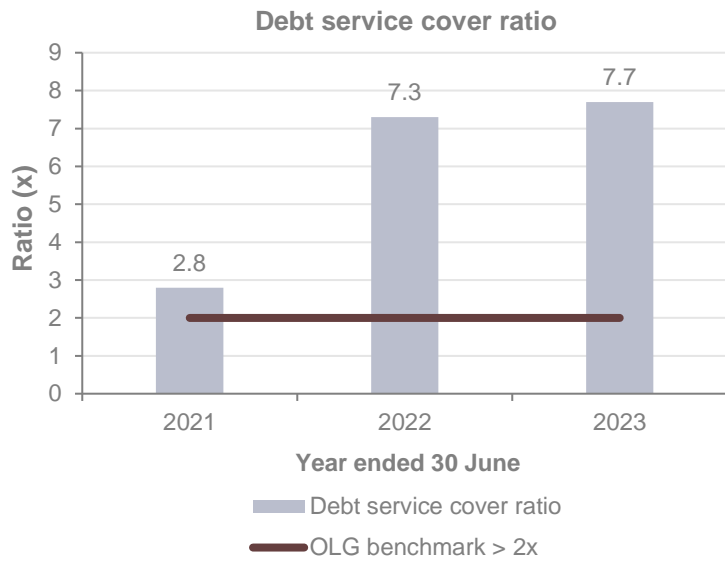
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council continues to exceed the benchmark for the current reporting period.

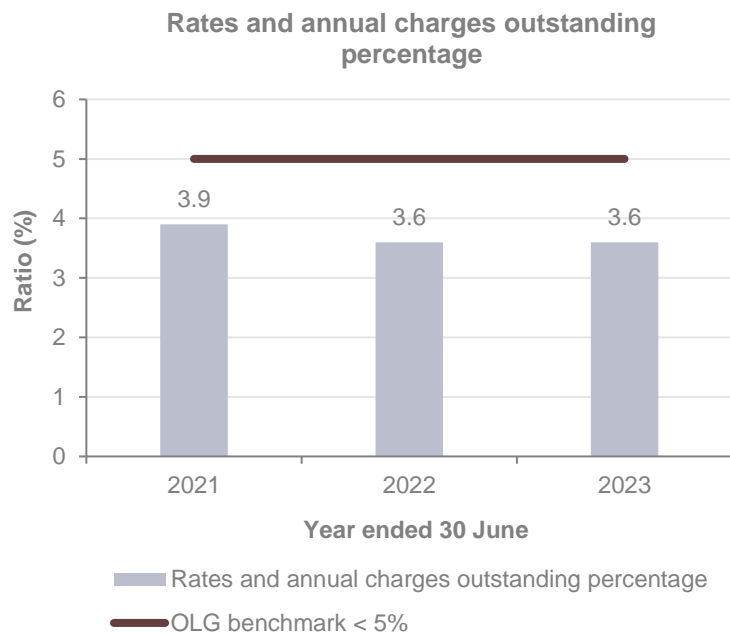
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council continues to meet the benchmark for the current reporting period.

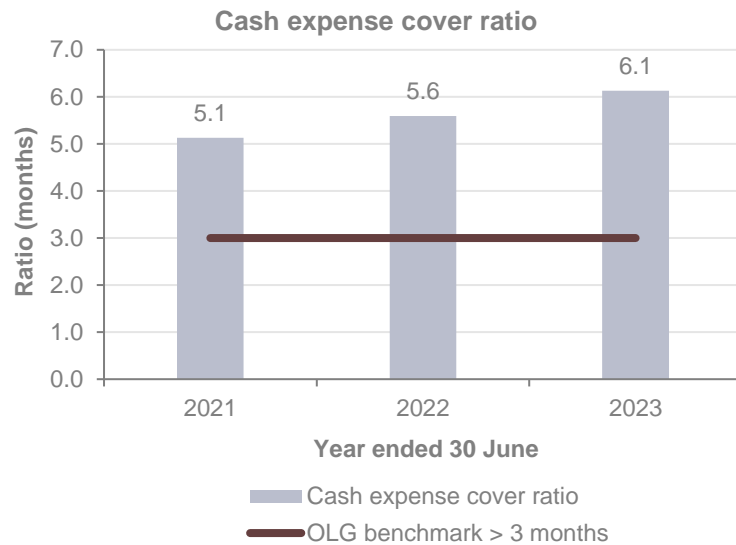
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council continues to exceed the benchmark for the current reporting period.

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 renewed \$84.0 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on buildings, roads and other infrastructure. A further \$79.5 million was spent on new assets, mainly spent on buildings, other infrastructure and footpaths.

OTHER MATTERS

Legislative compliance

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

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

Susan Prichard
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Northern Beaches Council

SPECIAL SCHEDULES

for the year ended 30 June 2023

*Northern Beaches - a safe, diverse, inclusive and connected
community that lives in balance with our extraordinary
coastal and bushland environment*



northern
beaches
council

Northern Beaches Council

Special Schedules

for the year ended 30 June 2023

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Independent Auditor's Report on Permissible Income for General Rates	108

Northern Beaches Council

Permissible income for general rates

\$ '000	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹		
Last year notional general income yield	177,226	181,507
Plus or minus adjustments ²	96	11
Notional general income	177,322	181,518
Permissible income calculation		
Special variation percentage ³	2.40%	0.00%
Or rate peg percentage	0.00%	3.70%
Plus special variation amount	4,256	–
Or plus rate peg amount	–	6,716
Sub-total	181,578	188,234
Plus (or minus) last year's carry forward total	2	3
Less valuation objections claimed in the previous year	(113)	(43)
Sub-total	(111)	(40)
Total permissible income	181,467	188,194
Less notional general income yield	181,507	188,185
Catch-up or (excess) result	(40)	9
Plus income lost due to valuation objections claimed ⁴	43	–
Carry forward to next year ⁵	3	9

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	5,870	5,870	14,189	17,723	581,269	804,502	54.0%	37.3%	7.6%	0.2%	0.9%	
	Sub-total	5,870	5,870	14,189	17,723	581,269	804,502	54.0%	37.3%	7.6%	0.2%	0.9%	
Roads	Sealed roads ¹	8,393	8,393	8,422	11,567	531,800	608,614	48.9%	35.6%	12.3%	2.9%	0.3%	
	Unsealed roads	44	44	14	19	1,873	2,167	23.9%	65.1%	5.9%	5.1%	0.0%	
	Bridges	548	548	146	2	13,560	17,424	21.8%	40.1%	30.2%	7.9%	0.0%	
	Footpaths	417	417	1,929	1,723	127,208	141,969	36.8%	48.6%	13.9%	0.6%	0.1%	
	Other road assets	3,014	3,014	3,054	2,482	244,193	291,613	10.0%	62.2%	25.6%	1.8%	0.4%	
	Sub-total	12,416	12,416	13,565	15,793	918,634	1,061,787	36.1%	44.8%	16.4%	2.4%	0.3%	
Stormwater drainage	Stormwater drainage	20,144	20,144	4,258	3,244	910,950	1,110,453	7.0%	65.5%	23.2%	4.0%	0.3%	
	Sub-total	20,144	20,144	4,258	3,244	910,950	1,110,453	7.0%	65.5%	23.2%	4.0%	0.3%	
Open space / recreational assets	Swimming pools	341	341	991	913	39,304	47,311	31.8%	37.9%	29.0%	0.7%	0.6%	
	Other	1,478	1,478	5,462	5,881	140,586	159,465	29.0%	58.8%	10.1%	1.9%	0.2%	
	Sub-total	1,819	1,819	6,453	6,794	179,890	206,776	29.6%	54.0%	14.4%	1.6%	0.4%	
Other infrastructure assets	Other	2,217	2,217	4,743	3,842	227,543	266,724	20.1%	58.2%	19.9%	1.3%	0.5%	
	Sub-total	2,217	2,217	4,743	3,842	227,543	266,724	20.1%	58.2%	19.9%	1.3%	0.5%	
Total – all assets		42,466	42,466	43,208	47,396	2,818,286	3,450,242	29.3%	51.3%	16.7%	2.3%	0.4%	

(1) Sealed roads actual maintenance included \$3.5m in storm-related works

(a) Required maintenance is the amount identified in Council's asset management plans. This includes inspections and maintenance required to achieve the predicted useful life of the asset along with operating costs to keep the asset in a functional state for community use (eg cleaning and utilities).

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 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	43,001	130.77%	112.67%	> 100.00%
Depreciation, amortisation and impairment	32,883			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	42,466	1.49%	1.53%	< 2.00%
Net carrying amount of infrastructure assets	2,847,115			
Asset maintenance ratio				
Actual asset maintenance	47,396	109.69%	100.55%	> 100.00%
Required asset maintenance	43,208			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	42,466	1.22%	1.26%	
Gross replacement cost	3,479,073			

(*) 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.



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 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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. 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.



Susan Prichard
Delegate of the Auditor-General for New South Wales

25/10/2023
SYDNEY