

General Purpose and Special Purpose Financial Reports

1 July 2018 to 30 June 2019



northern
beaches
council

Northern Beaches Council

FINANCIAL COMMENTARY 2018/19

INTRODUCTION

This commentary provides the highlights of Council's 2018/19 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993, and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update No 27).

The Financial Statements are made up of the following:

- General Purpose Financial Statements – pages 12 to 89
- Special Purpose Financial Statements – pages 90 to 102
- Special Schedules – pages 103 to 108

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

2018/19 SUMMARY RESULTS

• Total Income from Continuing Operations	\$358.9m
• Total Expenses from Continuing Operations	\$330.9m
• Net Operating Surplus for the period	\$28.0m
• Net Operating Surplus for the period before Capital Grants and Contributions	\$9.9m

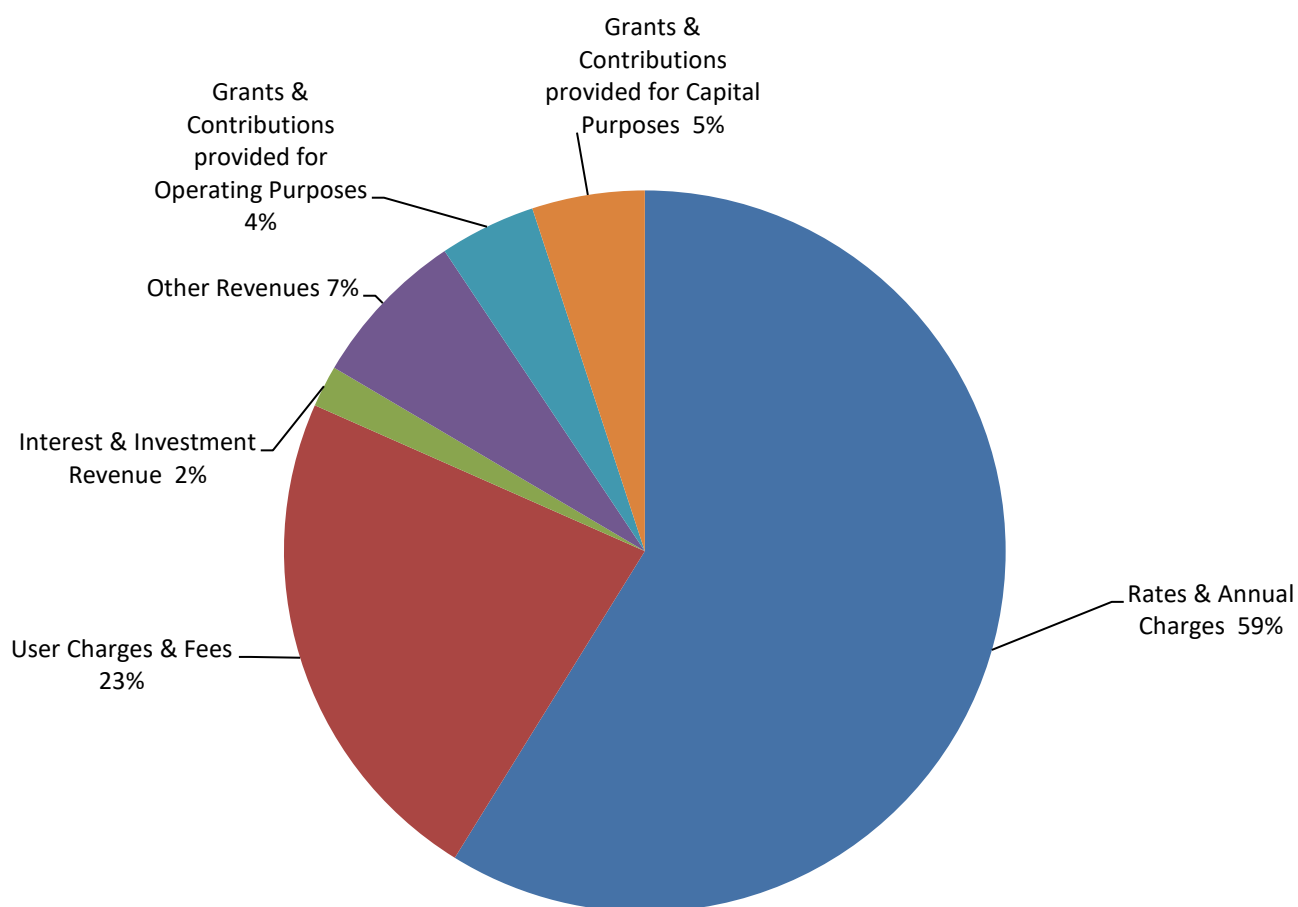
• New Capital Works	\$35.4m
• Capital Renewal Works	\$62.7m
• Non-cash Asset Dedications	\$4.5m
• Total Capital Expenditure	\$102.5m

• Total Assets	\$5,201.4m
• Total Liabilities	\$155.2m
• Net Assets	\$5,046.2m

• Unrestricted Current Ratio	2.6x
• Debt Service Cover Ratio	6.4x
• Building & Infrastructure Renewals Ratio	139.1%

Northern Beaches Council

INCOME FROM CONTINUING OPERATIONS



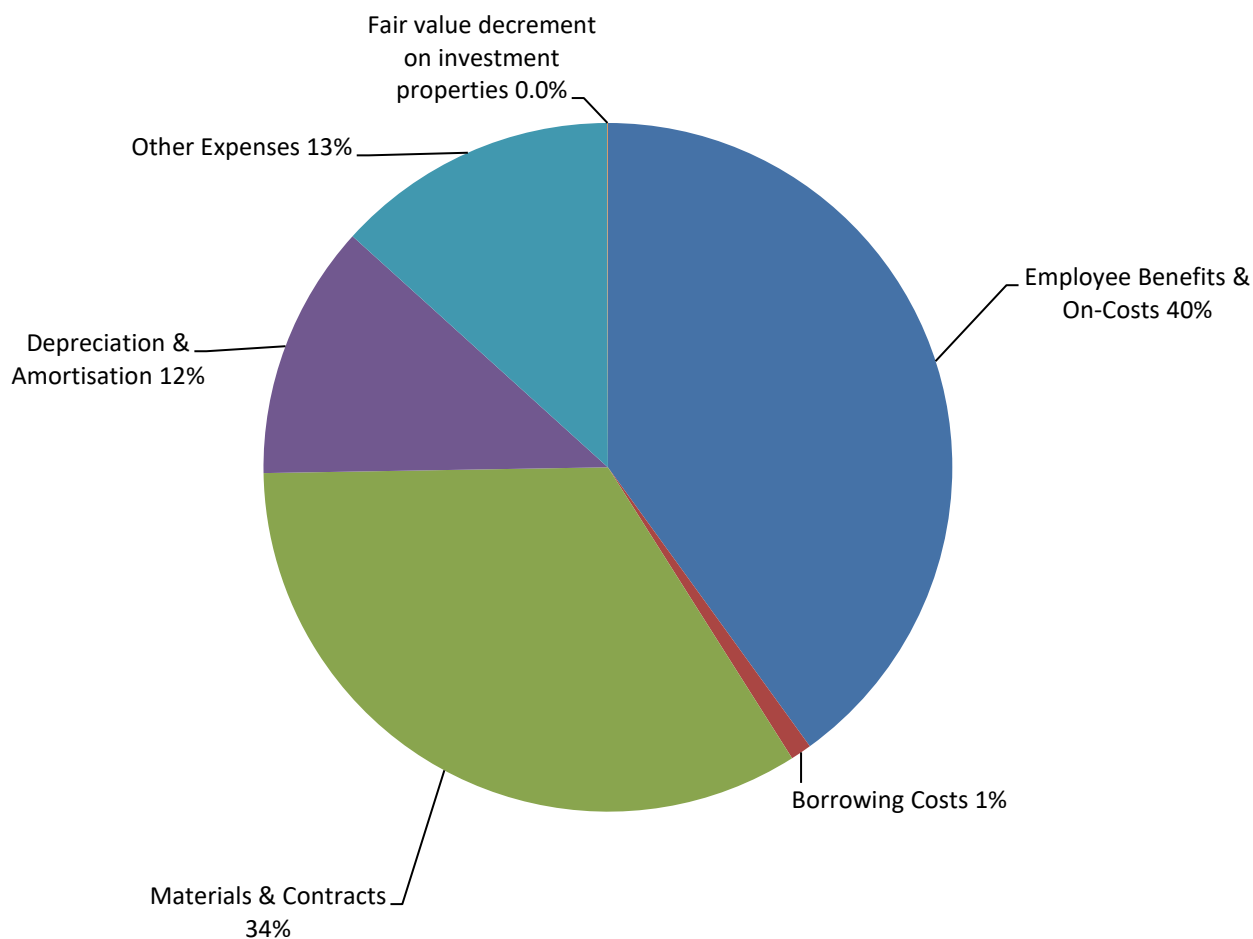
Income Items	30 June 2019 Actual (\$'000)
Rates & Annual Charges	211,058
User Charges & Fees	81,784
Interest & Investment Revenue	6,696
Other Revenues	25,641
Grants & Contributions provided for Operating Purposes	15,478
Grants & Contributions provided for Capital Purposes	18,111
Net gain from the disposal of assets	176
Total Income from Continuing Operations	358,944

Northern Beaches Council

Year Ended 30 June 2019	Year Ended 30 June 2018	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
211,058	211,679	(621)	-0.3%	Rates & annual charges
Rates were \$161.7m and total Annual Charges were \$49.4m. Annual Charges for the period are predominantly represented by domestic waste charges. Income from domestic waste charges reduced by \$4.4m (8%) on the prior year, as efficiencies of the merger resulted in lower costs for the service. This includes a reduction in the domestic waste charge for the former Pittwater and Manly areas, freezing the charge for the former Warringah and issuing credits to customers who opted to move from a 120L waste collection service to the new standard 80L service in the later part of the financial year in preparation for the implementation of the new waste collection contract from 1 July 2019.				
81,784	79,785	1,999	2.5%	User charges & fees
User charges & fees include \$22.2m in fees at the Kimbriki Waste & Recycling Centre, with the balance in fees charged by Council for the services it provides. Major items include Child Care Fees of \$12.2m, Parking Fees of \$13.3m, \$7.2m from the Manly Andrew Boy Charlton and the Warringah Aquatic Centres, \$5.3m in Planning & Building Regulation fees and \$5.7m from the Lakeside Caravan Park. During the year the Council ceased operating a commercial waste business. Lower development activity, reduced property transfers and fewer planning proposals resulted in a reduction in income. This was offset by additional income from parking stations and higher patronage at the Manly Andrew Boy Charlton Aquatic Centre.				
6,696	6,195	501	8.1%	Interest and investment revenue
Interest and investment revenue was higher than the previous financial year as a result of the receipt of round 2 of the Stronger Communities Fund grant (\$21.1m) in Dec 2017 and the timing of capital expenditure. Council's Cash and Investments at the end of the financial year totalled \$195.8m. Council's investment portfolio performed strongly over the financial period returning an average of 2.69%, compared to the bank bill benchmark return of 1.93%.				
25,641	25,331	310	1.2%	Other revenues
Other Revenues included \$2.8m raised through the Kimbriki Waste & Recycling Centre and \$22.8m from Council operations. Major items include \$7.7m in Parking Fines, \$8.5m from property leases and rent, \$1.214m in advertising income, \$0.18m Container Deposit Scheme income and \$1.1m for the non-cash first time recognition of Crown land assets. During the year the Council recovered \$0.1m in insurance claims (compared to \$0.32m in 2017/18). Lower development activity impacted rental income associated with road reserves for construction purposes.				
15,478	14,523	955	6.6%	Grants & contributions provided for operating purposes
Significant items included: - \$0.537m receipt of for the natural disaster funding for damage resulting from the April 2015 East Coast Low - \$0.511m B-Line project contribution towards bus shelters - \$0.349m within Children's Services from the NSW Dept of Ed for legacy funding for long day care and vacation care - \$0.235m Advance payment of the 2019/20 pre-school grants in June 2019				
18,111	53,599	(35,488)	-66%	Grants & contributions provided for capital purposes
Significant items in 2018/19 include: - \$1.573m (non-cash) Recognition of the fair value of land at Belrose TAFE purchased for \$1 - \$1.413m (non-cash) Numerous dedications of land and an amenities building associated with development - \$0.442m (non-cash) Material Public Benefit (MPB) s.7.11 contribution - \$1.250m B-Line Grant for the Dee Why Lagoon and Narrabeen pedestrian bridges from TfNSW - \$0.628m the Regional Road Repair Program - \$0.580m RMS Boating now' grant for the Church Point Masterplan Wharf extension - \$0.369m RMS Grants for traffic facilities and bike paths				
By comparison, in 2017/18 the Council received round 2 of the Stronger Communities Fund (\$21.1m), \$6.5 from RMS for B-Line projects and an asset dedication of \$7.3m for the Manly memorial hall.				
176	-	176	n/a	Net gain from the disposal of assets
Gains on disposal of assets were \$0.176m compared to a loss of \$0.4m in 2017/18. This was principally due to income received from the acquisition of Council land adjacent to the Manly Vale Public School development by the Department of Education for \$1.6m (less the asset book value of \$0.432m) and the sale of road reserves at locations including Brookvale, Dee Why, Freshwater, Clontarf and Whale Beach \$1.6m. This was offset by the transfer of 32 parcels of land on the Pittwater Western Foreshore to the National Parks and Wildlife Services at a book cost of \$2.9m.				
358,944	391,112	(32,168)	-8.2%	TOTAL INCOME

Northern Beaches Council

EXPENSES FROM CONTINUING OPERATIONS



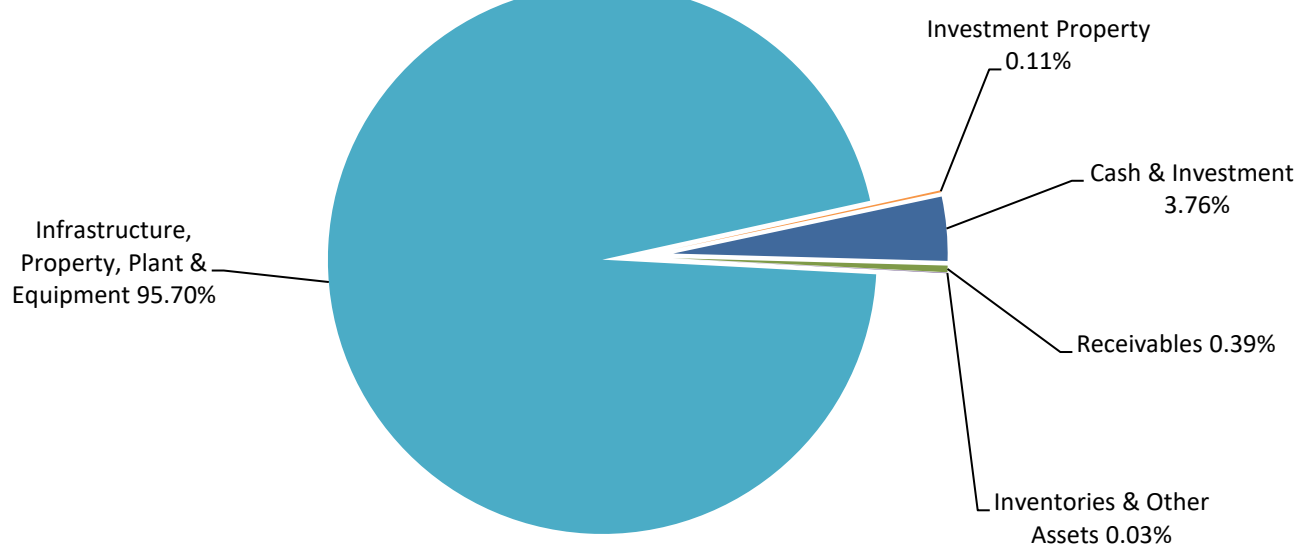
Expense Items	1 July 2018 - 30 June 2019
	Actual (\$'000)
Employee Benefits & On-Costs	132,461
Borrowing Costs	3,277
Materials & Contracts	111,563
Depreciation & Amortisation	39,629
Other Expenses	43,869
Fair value decrement on investment properties	120
Total Expenses from Continuing Operations	330,919

Northern Beaches Council

Year Ended 30 June 2019	Year Ended 30 June 2018	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
132,461	124,306	8,155	6.6%	Employee Benefits & On-Costs
Total Employee Benefits & On-Costs were \$132.461m compared to an original budget of \$134.415m and represent 40% of Council's Total Expenses from Continuing Operations. This included a 35% increase (\$3.8m) in employee leave entitlement primarily due to the impact of the falling Commonwealth bond rates which increased the value of future entitlements by \$1.8m.				
3,277	3,478	(201)	-5.8%	Borrowing Costs
Total Borrowing Costs were \$3.277m for the financial period compared to an original budget of \$3.572m. Borrowing Costs consist of interest on loans of \$1.737m and the amortisation of discounts for remediation liabilities for the Kimbriki Waste Landfill \$1.540m. The lower costs in comparison to 2017/18 were principally due to lower interest rates on variable loans.				
111,563	106,680	4,883	4.6%	Materials & Contracts
Total Materials & Contracts were \$111.6m compared to an original budget of \$119m. This included \$11.1m in expenses at the Kimbriki Waste & Recycling Centre and \$100.1m relating to Council's operations. The major items within Council were \$14.862m in waste disposal costs, \$11.417m in waste collection costs and \$9.2m in maintenance & servicing. During the year the clearing of Narrabeen Lagoon was undertaken (\$0.9m).				
39,629	33,919	5,710	16.8%	Depreciation & Amortisation
The revaluation of building assets in 2017/18 resulted in an increase in the depreciation expense for these assets (\$2m). The creation of new assets and renewal of a significant number of assets over the past 12 months also resulted in an adjustment to the depreciation for those existing assets to recognise their condition at their commissioning date.				
43,869	42,185	1,684	4.0%	Other Expenses
Other Expenses were \$43.9m for the financial period. Major items within this include \$7.757m Waste Levy, \$5.381m in electricity & heating, \$5.488m relating to the NSW Government Emergency Services Levy, \$3.021m in insurance costs and \$3.795m for street lighting. The most significant increase during the year was an additional \$1.2m for electricity and heating costs due to higher wholesale prices (28% increase to \$5.381m).				
120	1,685	(1,565)	-92.9%	Fair value decrement on investment properties, Revaluation decrement of IPPE & Net share of interests
Fair value decrement on investment properties was \$0.120m for the financial period representing a reduction in the fair value of Council's three investment properties. There were no revaluation decrements or joint ventures and associates transactions in 2018-19.				
-	390	(390)	-100.0%	Net Losses from the Disposal of Assets
There was no net loss from the disposal of assets in 2018/19. Please refer to the income summary regarding the gain on the disposal of assets achieved in 2018/19.				
330,919	312,643	18,276	5.8%	TOTAL EXPENSES

Northern Beaches Council

ASSETS



	30 June 2019
Asset Items	Actual
	(\$'000)
Current Assets	
Cash & Cash Equivalents	7,052
Investments	187,917
Receivables	18,972
Inventories	217
Other	1,272
Total Current Assets	215,430
Non Current Assets	
Investments	852
Receivables	1,159
Infrastructure, Property, Plant & Equipment	4,977,788
Investment Property	5,965
Other	175
Total Non Current Assets	4,985,939
TOTAL ASSETS	5,201,369

Northern Beaches Council

ASSETS

Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments totalled \$195.821m as at 30 June 2019. This represents a decrease of \$22.473m from the 2017/2018 balance. This is principally due to the delivery of capital projects funded through large grants including the Stronger Communities Fund and B-Line grants.

Receivables

Receivables totalled \$20.131m as at 30 June 2019. This was comparable to the 2017/18 balance of \$19.613m.

Inventories

Inventories totalled \$0.217m as at 30 June 2019 and are represented by stores, materials and trading stock. This was comparable to the 2017/18 balance of \$0.203m.

Other Assets

Other Assets are represented by Prepayments which totalled \$1.447m at 30 June 2019. This was comparable to the 2017/18 balance of \$1.375m.

Infrastructure, Property, Plant and Equipment

Infrastructure, Property, Plant and Equipment totalled \$4.978b as at 30 June 2019. This represents an increase of \$70.163m from the 2017/18 balance. During the financial year a full revaluation of transport assets (roads sealed, roads unsealed, bridges, footpaths and other road assets) and parks & recreation assets (other open space/recreational assets, swimming pools and other infrastructure) was undertaken, resulting in a \$12.8m increase in the value of the asset classes. This surplus is held in equity under the heading of IPP&E Revaluation Surplus.

The result was an adjustment to the values as follows:

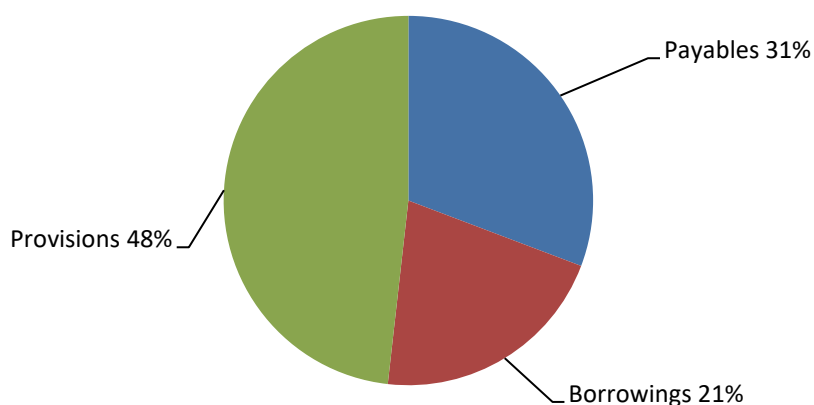
		Prior to Revaluation \$'000	After Revaluation \$'000	Movement \$'000	%
Transport assets	Gross Carrying Amount	852,203	886,314	34,111	
	Accumulated Depreciation	-82,021	-105,016	-22,995	
	Total carrying value	770,182	781,298	11,116	1.4%
Parks and recreation assets	Gross Carrying Amount	337,889	353,857	15,968	
	Accumulated Depreciation	-34,339	-48,594	-14,255	
	Total carrying value	303,550	305,263	1,713	0.6%
Total		1,073,732	1,086,561	12,829	1.2%

Investment Property

Council's investment properties total \$5.965m as at 30 June 2019. Council holds three investment properties located at Sydney Road Balgowlah, Condamine Street Balgowlah and Pittwater Road Brookvale. A revaluation was undertaken of Council's three investment properties which resulted in a reduction in the total fair value of \$0.120m which was debited to the Income Statement through the Fair Value Decrement on Investment Properties.

Northern Beaches Council

LIABILITIES



	30 June 2019 Actual (\$'000)
Liability Items	
Current Liabilities	
Payables	47,732
Borrowings	5,129
Provisions	33,586
Total Current Liabilities	86,447
Non-Current Liabilities	
Borrowings	27,490
Provisions	41,238
Total Non-Current Liabilities	68,728
TOTAL Liabilities	155,175

Payables

Payables totalled \$47.732m at 30 June 2019 which represented an increase of \$6.061m from the 2017/2018 balance, primarily due to a high volume of invoices in the June month due to the timing of capital expenditure projects including the domestic waste bin roll out and works in Dee Why town centre that were not yet due for payment. The principal components of the balance were Accounts Payable and Accrued Expenses of \$25.6m, Payments Received in Advance of \$4m and Deposits and Retentions of \$18m.

Borrowings

Borrowings totalled \$32.619m at 30 June 2019 which represented a decrease of \$4.964 from the 2017/2018 balance of \$37.583m due to the ongoing repayment of existing loans.

Provisions

Provisions totalled \$74.824m at 30 June 2019. This represents an increase of \$6.224m from the 2017/2018 balance and is principally the result of an increase in the Employee Leave Entitlements provision (\$4.3m) which included a \$1.8m increase due to the impact of reducing bond rates.

Northern Beaches Council

KEY PERFORMANCE INDICATORS

	2019	
Operating Performance	2.89%	✓
Own Source Operating Revenue	90.64%	✓
Unrestricted Current Ratio	2.65x	✓
Debt Service Cover Ratio	6.40x	✓
Rates & Annual Charges Outstanding Percentage	3.67%	✓
Buildings & Infrastructure Renewals Ratio	139.09%	✓
Infrastructure Backlog	1.32%	✓
Asset Maintenance Ratio	115.45%	✓
Cost to bring to agreed service level	1.10%	✓

Operating Performance

This ratio measures Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded. The benchmark is greater than 0%.

Council's Operating Performance Indicator at 2.89% is above the benchmark of 0%.

Own Source Operating Revenue

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%.

Council's Own Source Operating Revenue Indicator at 90.64% is well above the benchmark of 60% highlighting Council's financial flexibility.

Unrestricted Current Ratio

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, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5.

Council's Unrestricted Current Ratio of 2.65 reflects Council's sound financial position.

Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.

Council's Debt Service Cover Ratio of 6.40 is above the benchmark of 2.

Northern Beaches Council

Rates and Annual Charges Outstanding

The purpose of this ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

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.

Council's rates and annual charges outstanding ratio of 3.67% is within the benchmark of under 5%.

Building and Infrastructure Renewal Ratio

The purpose of the Building and Infrastructure Renewal Ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

Council's ratio of 139.09% is above the benchmark of 100% and represents the timing of the completion of projects and the Council's recent investment in the renewal of infrastructure assets.

Infrastructure Backlog Ratio

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

Council's Infrastructure Backlog Indicator is 1.32% which is below the benchmark of 2% indicating that Council does not have a comparatively significant infrastructure backlog.

Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the infrastructure backlog from growing. The benchmark is greater than 1.0.

Council's Asset Maintenance Ratio of 115.45% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.

Cost to Bring Assets to Agreed Service Level

This ratio indicates the proportion of the gross replacement cost of Council's assets that have reached the intervention level set by Council based on the condition of the asset. This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets.

This ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is easier for Councils to calculate with greater consistency year to year. Council's ratio of 1.10% indicates the cost to bring assets to agreed service levels are at a financially sustainable level.

Northern Beaches Council

General purpose financial statements
for the year ended 30 June 2019

Northern Beaches Council

General purpose financial statements

for the year ended 30 June 2019

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These financial statements are general purpose financial statements of Northern Beaches Council and its controlled entity and are presented in the Australian currency.

Northern Beaches Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:
725 Pittwater Rd
DEE WHY NSW 2099

These financial statements were authorised for issue by the Council on 24 September 2019. Council has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, financial statements, and other information are 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:

DX 9118
Dee Why NSW 2099

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Facsimile: 02 9971 4522

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 2019

Statement by Councillors and Management

made pursuant to Section 413(2c) of the Local Government Act 1993 (NSW) (as amended)

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

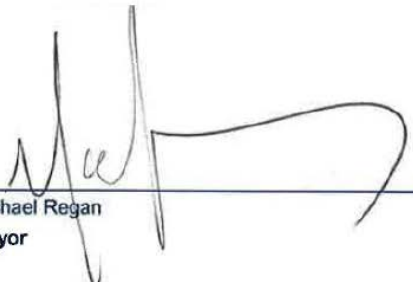
- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- The Local Government Code of Accounting Practice and Financial Reporting.

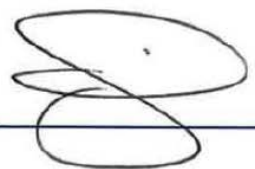
To the best of our knowledge and belief, these statements:

- 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 this report false or misleading in any way.

Signed in accordance with a resolution of Northern Beaches Council made on 24 September 2019.



Michael Regan
Mayor

Sarah Grattan
Councillor

David Walsh
Responsible Accounting Officer

Ray Brownlee
Chief Executive Officer

Northern Beaches Council

Income Statement

for the year ended 30 June 2019

Original Unaudited Budget 2019 \$'000		Notes	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
Income from continuing operations				
Revenue:				
212,226	Rates and annual charges*	3a	211,058	211,679
79,338	User charges and fees*	3b	81,784	79,785
5,748	Interest and investment revenue*	3c	6,696	6,195
25,279	Other revenues*	3d	25,641	25,331
13,177	Grants and contributions provided for operating purposes*	3e,f	15,478	14,523
11,985	Grants and contributions provided for capital purposes	3e,f	18,111	53,599
Other Income:				
765	Net gain from the disposal of assets	5	176	-
348,518	Total income from continuing operations		358,944	391,112
Expenses from continuing operations				
134,415	Employee benefits and on-costs	4a	132,461	124,306
3,572	Borrowing costs	4b	3,277	3,478
110,724	Materials and contracts*	4c	111,563	106,680
35,386	Depreciation and amortisation	4d	39,629	33,919
43,696	Other expenses*	4e	43,869	42,185
-	- Net loss from the disposal of assets	5	-	390
-	- Revaluation decrement/impairment of IPPE	4d	-	987
-	- Fair value decrement on investment properties	10	120	684
-	- Net share of interests in joint ventures and associates using the equity method	15	-	14
327,793	Total expenses from continuing operations		330,919	312,643
20,724	Operating result from continuing operations		28,025	78,469
	Operating Result from discontinued operations		-	-
20,724	Net operating result for the period		28,025	78,469
20,724	Net result for the period		28,025	78,469
Attributable to:				
20,631	- Council		27,893	78,305
93	- Non-controlling Interests		132	164
20,724			28,025	78,469
	Net operating result for the period before grants and contributions provided			
8,739	for capital purposes		9,914	24,870

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

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Statement of Comprehensive Income

for the year ended 30 June 2019

		Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
	Notes		
Net result for the period - from Income Statement		28,025	78,469
Other Comprehensive Income			
<i>Amounts that will not be reclassified subsequent to operating result</i>			
Gain on revaluation infrastructure property, plant and equipment	9	12,828	158,417
Total other Comprehensive Income for the period		12,828	158,417
Total comprehensive income for the period		40,853	236,886
Attributable to:			
- Council		40,721	236,722
- Non-controlling Interests		132	164

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 2019

		Actual 2019 \$'000	Actual ¹ 2018 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,052	6,037
Investments	6b	187,917	208,886
Receivables	7	18,972	18,379
Inventories	8	217	203
Other	8	1,272	1,268
Non-current assets classified as held for sale		-	-
Total current assets		215,430	234,773
Non-Current Assets			
Investments	6b	852	3,371
Receivables	7	1,159	1,234
Infrastructure, property, plant and equipment	9	4,977,788	4,907,625
Investments accounted for using the equity method	15	-	-
Investment property	10	5,965	6,085
Intangible assets		-	-
Inventories	8	-	-
Other	8	175	107
Total non-current assets		4,985,939	4,918,422
Total Assets		5,201,369	5,153,195
LIABILITIES			
Current liabilities			
Payables	11	47,732	41,671
Borrowings	11	5,129	5,225
Provisions	12	33,586	29,502
Total current liabilities		86,447	76,398
Non-current liabilities			
Payables	11	-	-
Borrowings	11	27,490	32,358
Provisions	12	41,238	39,098
Total non-current liabilities		68,728	71,456
Total Liabilities		155,175	147,854
Net assets		5,046,194	5,005,341
EQUITY			
Accumulated Surplus	13	4,873,907	4,846,014
IPP&E Revaluation Surplus	13	171,245	158,417
Council Interest		5,045,152	5,004,431
Non-controlling equity interest		1,042	910
TOTAL EQUITY		5,046,194	5,005,341

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

¹ Comparatives have not been restated when initially applying AASB 9, the comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

Northern Beaches Council

Statement of Changes in Equity

for the year ended 30 June 2019

	Actual 2019				
	Accumulated Surplus	IPP&E Revaluation Surplus	Council Equity Interest	Non- controlling Interest	Total Equity
Opening Balance	4,846,014	158,417	5,004,431	910	5,005,341
Restated Opening Balances	4,846,014	158,417	5,004,431	910	5,005,341
Net Operating Result for the year	27,893	-	27,893	132	28,025
Gain (loss) on revaluation of Infrastructure, property, plant and equipment	-	12,828	12,828	-	12,828
Total Comprehensive Income	27,893	12,828	40,721	132	40,853
Closing Balance	4,873,907	171,245	5,045,152	1,042	5,046,194

	Actual 2018 ¹				
	Accumulated Surplus	IPP&E Revaluation Surplus	Council Equity Interest	Non- controlling Interest	Total Equity
Opening Balance	4,767,709	-	4,767,709	746	4,768,455
Restated Opening Balances	4,767,709	-	4,767,709	746	4,768,455
Net Operating Result for the period	78,305	-	78,305	164	78,469
Other Comprehensive Income	-	158,417	158,417	-	158,417
Total Comprehensive Income	78,305	158,417	236,722	164	236,886
Closing Balance	4,846,014	158,417	5,004,431	910	5,005,341

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

¹ Comparatives have not been restated when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

Northern Beaches Council

Statement of Cash Flows

for the year ended 30 June 2019

Original Unaudited Budget 2019 \$'000	Notes	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
Cash flows from operating activities			
<u>Receipts:</u>			
211,702 Rates and annual charges		212,012	210,164
79,144 User charges and fees		84,761	83,928
5,748 Investment revenue and interest		5,965	5,149
25,487 Grants and contributions		30,511	64,453
- Bonds, deposits and retentions received		5,537	5,837
25,279 Other		41,897	39,143
<u>Payments:</u>			
(134,690) Employee benefits and on-costs		(128,097)	(124,863)
(112,724) Materials and contracts		(114,018)	(117,678)
- Borrowing costs		(3,326)	(3,586)
- Bonds, deposits and retentions refunded		(4,967)	(4,990)
(44,501) Other		(55,503)	(52,970)
55,445 Net cash provided from (or used in) operating activities	14(b)	74,772	104,587
Cash flows from investing activities			
<u>Receipts:</u>			
- Sale of investments		313,991	272,929
- Sale of investment property		-	-
2,415 Sale of infrastructure, property, plant & equipment		5,627	3,964
- Sale of non current assets held for resale		-	-
<u>Payments:</u>			
- Purchase of investment securities		(290,480)	(326,531)
(111,283) Purchase of infrastructure, property, plant and equipment		(97,931)	(68,297)
- Other		-	-
(108,868) Net cash provided from (or used in) investing activities		(68,793)	(117,935)
Cash Flows from financing activities			
<u>Receipts:</u>			
- Proceeds from borrowings and advances		-	-
<u>Payments:</u>			
(6,965) Repayment of borrowings and advances		(4,964)	(10,435)
- Finance lease liabilities		-	-
- Dividends Paid to Minority Interests		-	-
(6,965) Net cash provided from (or used in) financing activities		(4,964)	(10,435)
(60,388) Net increase/(decrease) in cash and cash equivalents		1,015	(23,783)
218,285 Cash and cash equivalents at beginning of reporting period		6,037	29,820
157,897 Cash and cash equivalents at end of reporting period	14(a)	7,052	6,037

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation

These financial statements were authorised for issue by Council on 24 September 2019. Council has the power to amend and reissue these 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 periods presented, unless otherwise stated.

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

(a) New and amended standards adopted by Council

The following new standards were adopted during the year. There was no material impact on reported financial position, performance, or cash flows of the entity, although some additional disclosures have arisen:

- AASB 9 Financial instruments and associated amending standards
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments
- AASB 2014 - 1 Amendments to Australian Accounting Standards
- AASB 2014 - 7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2014 - 8 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2016 - 6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017 - 3 Amendments to Australian Accounting Standards - Clarifications to AASB 4
- AASB 2016 - 5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

(b) 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.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Northern Beaches Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties - refer Note 10
- (ii) estimated fair values of infrastructure, property, plant and equipment - refer Note 9
- (iii) estimated asset remediation provisions - refer Note 12
- (iv) employee benefit provisions - refer Note 12

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables
Council has made a significant judgement about the impairment of a number of its receivables - refer Note 7

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation (continued)

Monies and other assets received by Council

(a) 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 Council.

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

(b) The Trust Fund

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

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 within the statement of financial position are stated inclusive of any applicable GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability 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.

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 2019. Northern Beaches Council's assessment of the impact of these new standards and interpretations relevant to them is set out on the following pages.

Northern Beaches Council has not applied any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation (continued)

AASB 2014 – 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The amendments address an acknowledged inconsistency between the requirements in AASB10, and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date is annual reporting periods beginning on or after 1 January 2022.

The Council holds an immaterial interest in the Premsure insurance pool, which is currently in wind up. As no sales or contributions with the joint venture are anticipated, this change is not expected to have an impact for Council.

AASB 2015 – 10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.

AASB 2017 – 5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date is annual reporting periods beginning on or after January 2022.

AASB16 Leases

AASB16 will result in most of the operating leases of an entity being brought onto the Statement of Financial Position. There are limited exceptions relating to short-term leases and low-value assets which may not be brought onto the Statement of Financial Position.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

Whilst the impact of AASB16 has not yet been fully determined, Council is currently reviewing all of the operating leases to assess whether or not a Right of Use Asset exists.

The effective date is annual reporting periods beginning on or after 1 January 2019.

AASB 15 Revenue from contracts with customers and associated amending standards

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Council is still reviewing the way that income is measured and recognised to identify whether there will be a material impact arising from this standard.

The effective date is annual reporting periods beginning on or after 1 January 2019

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation (continued)

AASB 2018 - 4 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Public Sector Licensors

This standard provides guidance for public sector entities who issue licences and primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences.

The amendments to AASB 15 include:

- expanding the scope of AASB 15 to include non-contractual licences;
- guidance distinguishing a licence from a tax;
- guidance clarifying the types of licences issued by not-for-profit public sector licensors;
- guidance clarifying the application of the principles in AASB 15 to licences that are not within the scope of other Australian Accounting Standards; and
- providing recognition exemptions for short-term licences and licences issued for a low transaction price.

The amendments to AASB 16 clarify that licences that are in substance leases or contain leases, except licences of intellectual property, fall within the scope of AASB 16.

Council is awaiting further guidance from the Office of Local Government in relation to this amendment. The accounting treatment of these licences will not change at this point in time.

The effective date is annual reporting periods beginning on or after 1 January 2019

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to Councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the Council's objective is principally to enable the asset to further the council's objectives. In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period.

The effective date is annual reporting periods beginning on or after January 2019.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation (continued)

AASB 2017 – 1 Amendments to Australian Accounting Standards – Transfers of Investment Property 2014-2016 Cycle and Other Amendments (AASB 1, AASB 128, AASB 140)

This standard makes changes to the following standards:

- AASB1 - deletes some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration* ;
- AASB 128 - clarify that:
 - (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- AASB 140 - reflects the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

The changes to AASB 1 and AASB 128 will have no impact for Councils.

The effective date is annual reporting periods beginning on or after January 2019.

AASB 2018 – 8 Amendments to Australian Accounting Standards – Right-Of-Use Assets of Not-For-Profit Entities

This Standard amends AASB 1, AASB 16, AASB 117, AASB 1049 and AASB 1058 to provide a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases). The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.

The effective date is annual reporting periods beginning on or after 1 January 2019.

This standard means that councils will be permitted but not required to fair value their right of use assets relating to peppercorn and other concessionary loans. The Council will continue to measure right-of-use assets at cost, as recommended by the Office of Local Government. As the accounting treatment for peppercorn leases will not change, this change will have no impact on the financial statements, however additional disclosures will be provided in relation to any below market-value leases.

AASB 2018 – 1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015 - 2017 Cycle

This standard makes the following amendments to existing standards:

AASB 3 - clarifies that an entity remeasures its previously held interest in a joint operation when it obtains control of the business

AASB 11 - clarifies that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

AASB 112 - clarifies that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits and

AASB 123 - clarifies that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

The changes are not anticipated to have any impact for Council.

The effective date is annual reporting periods beginning on or after January 2019.

AASB 2017 – 7 Amendments to Australian Accounting Standards – Long term Interests in Associates and Joint Ventures

This standard amends AASB 128 to clarify that an entity is required to account for long-term investments in an associate or joint venture, which in substance for part of the net investment in the associate or joint venture the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

The changes are not anticipated to have any impact for Council.

The effective date is annual reporting periods beginning on or after January 2019.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of Preparation (continued)

AASB 1059 - Amendments to Australian Accounting Standards – Service Concession Arrangements - Grantors

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the statement of financial position. A control approach is used to assess the service concession arrangements in place. On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition. After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

The effective date is annual reporting periods beginning on or after 1 January 2020.

The Council has not entered into any service concession arrangements, therefore this change is not anticipated to have any impact for Council.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019. The standards which had an impact on reported position, performance or disclosures have been discussed in Note 13.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a) Functions or activities

Functions/Activities	Income, expenses and assets have been directly attributed to the following functions or activities. Details of these functions or activities are provided in Note 2(b)									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current & non-current)	
	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Environment and Sustainability	3,085	2,967	35,059	32,317	(31,974)	(29,350)	595	372	810,859	810,349
Waste and Cleansing	49,369	54,092	57,875	57,182	(8,506)	(3,090)	261	263	26,241	23,037
Kimbriki Resource Recovery Centre	25,274	25,221	18,778	18,245	6,496	6,976	-	-	42,932	36,990
Strategic Land Use Planning	1,172	1,435	6,249	5,129	(5,077)	(3,694)	115	91	32,794	36,259
Development Assessment	3,355	3,615	6,635	6,571	(3,280)	(2,956)	-	-	-	-
Environmental Compliance	10,386	10,879	13,109	11,892	(2,723)	(1,013)	-	-	187	-
Parks and Recreation	3,625	2,849	35,648	34,195	(32,023)	(31,346)	620	111	361,366	337,823
Children's Services	13,367	12,766	14,559	13,861	(1,192)	(1,095)	1,160	662	9,096	8,421
Community, Arts and Culture	5,288	4,846	12,757	11,488	(7,469)	(6,642)	904	870	15,930	17,427
Library Services	1,003	1,053	10,323	9,780	(9,320)	(8,727)	706	720	44,091	43,685
Transport, Traffic and Active Travel	23,019	25,193	35,397	30,787	(12,378)	(5,594)	3,345	3,520	823,847	889,086
Economic Development, Events and Engagement	1,120	895	10,243	8,702	(9,123)	(7,807)	-	72	390	459
Property and Facilities	28,143	28,097	42,621	38,757	(14,478)	(10,660)	130	647	2,884,575	2,819,953
Governance and Assurance Services	368	813	11,939	12,226	(11,571)	(11,413)	-	-	-	-
Customer Services	1,093	1,127	3,497	3,329	(2,404)	(2,202)	-	-	-	-
Corporate Support Services	17,396	45,602	16,230	18,168	1,166	27,434	2,445	25,013	149,061	129,706
Total functions & activities	187,063	221,450	330,919	312,629	(143,856)	(91,179)	10,281	32,341	5,201,369	5,153,195
Shares of gains or losses in associates & joint ventures using equity method	-	-	-	14	-	(14)	-	-	-	-
General Purpose Income¹	171,881	169,662	-	-	171,881	169,662	7,881	7,782	-	-
Operating result for the financial period	358,944	391,112	330,919	312,643	28,025	78,469	18,162	40,123	5,201,369	5,153,195

¹ As reported in the Income Statement

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b) Components of functions or activities

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

Environment and Sustainability

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

Waste and Cleansing

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

Kimbriki Resource Recovery Centre

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

Strategic Land Use Planning

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

Development Assessment

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

Environmental Compliance

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

Parks and Recreation

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

Children's Services

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

Community, Arts and Culture

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

Library Services

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

Transport, Traffic and Active Travel

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

Economic Development, Events and Engagement

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

Property and Facilities

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

Governance and Assurance Services

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

Customer Services

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

Corporate Support Services

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(a) Rates & annual charges		
Ordinary Rates		
Residential	135,046	131,799
Farmland	14	14
Business	26,304	25,840
Less: Pensioner rebates	(2,014)	(2,108)
Rates levied to ratepayers	159,350	155,545
Pensioner rate subsidies received*	1,043	1,005
Total ordinary rates	160,393	156,550
Special Rates		
Business	1,277	1,291
Total special rates	1,277	1,291
Annual Charges (pursuant to s496, s501 & s611)		
Domestic Waste Management Services	48,923	53,310
Stormwater management services charge	874	874
Section 611 charges	199	197
Pensioner subsidies: Domestic Waste Management*	381	383
Less: Pensioner rebates	(989)	(926)
Total Annual Charges	49,388	53,838
TOTAL RATES & ANNUAL CHARGES	211,058	211,679

Council has used 2016 valuations provided by the NSW Valuer General in calculating its rates

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts.

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.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Commercial Waste Management Services (non-domestic)	126	493
Total user charges	126	493
Fees		
Advertising Fees	858	837
Animal Registration	142	164
Aquatic Centres*	7,158	6,604
Caravan Park	5,726	5,677
Cemeteries	1,051	724
Child Care	12,198	11,832
Coastal Environmental Centre	230	220
Community Centres	2,127	2,046
Currawong State Park	356	368
Film Permits	118	126
Glen Street Theatre	1,511	1,245
Golf Courses*	1,806	1,739
Kimbriki Waste & Recycling Centre*	22,238	22,375
Leaseback Fees - Council Vehicle	780	786
Libraries	171	186
Parking Areas	13,300	11,802
Sportsfields and Reserves*	1,606	1,672
Planning and Building Regulation	5,328	6,142
Regulatory/ Statutory Fees	831	664
Restoration Charges	1,674	1,556
Road Inspections	450	409
Section 10.7 Certificates (EPA Act)	686	744
Section 603 Certificates (LG Act)	350	380
Other*	963	994
Total fees	81,658	79,292
Total user charges and fees	81,784	79,785

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(c) Interest and investment revenue		
Interest on financial assets measured at amortised cost		
- Overdue Rates & Annual Charges	471	487
- Cash and Investments	6,202	5,677
Fair Value Adjustments		
- Investments at fair value through profit and loss (FVTPL)	23	31
Total interest and investment revenue	6,696	6,195

Accounting policy for interest and investment revenue

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(d) Other revenues		
Ex Gratia Rates	25	24
Commission & Agency Fees	15	40
Advertising Income	1,214	1,062
First Time Recognition of Asset (non-cash)	1,056	-
Health & Compliance Fines	245	509
Diesel Rebate	81	80
Other Revenues - Kimbriki	2,848	2,716
Insurance claims recoveries	97	320
Legal Fees Recovery - Rates & Charges (Extra Charges)	177	77
Legal Fees Recovery - Other	365	278
Other Fines*	399	698
Parking Fines	7,743	7,904
Recycling Income (Domestic)*	180	-
Rental Income - Investment Properties	319	316
Rental Income - Leased Council Properties	5,156	4,710
Rental Income - Other Council Properties	3,053	3,478
Sale of Stock - Aquatic Centres*	364	376
Sale of Stock - Glen Street*	166	128
Sale of Stock - Golf Courses*	302	286
Income/Sponsorship	55	97
Other Revenues*	1,781	2,232
Total other revenue	25,641	25,331

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council, and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Parking fines are recognised as revenue when received from NSW Revenue.
- Rental income is accounted for on a straight line basis over the lease term.
- Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of and rewards.
- Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(e) Grants				
General purpose (untied)				
Financial Assistance - General Component				
- Relating to current year	2,756	2,716	-	-
- Prepayment received in advance for subsequent year	2,857	2,839	-	-
Financial Assistance - Local Roads Component				
- Relating to current year	1,113	1,091	-	-
- Prepayment received in advance for subsequent year	1,155	1,135	-	-
Total general purpose	7,881	7,781	-	-
Specific purpose (tied)				
Stronger Communities Fund	-	-	-	21,100
Child Care	1,160	913	-	-
Coast & Estuaries	-	59	193	402
Community Care	585	810	-	-
Community Centres	84	82	-	-
Environmental Programs	1,284	499	-	-
Heritage & Cultural	190	141	-	-
Library	207	233	498	486
LIRS Subsidy	559	695	-	-
Noxious Weeds	35	77	-	-
Recreation & Culture	6	-	508	165
Street Lighting	775	759	-	-
Transport (Roads to Recovery)	-	-	782	2,046
Transport (Other Roads & Bridges Funding)	827	615	2,497	3,260
Other	-	-	91	-
Total specific purpose	5,712	4,883	4,569	27,459
Total grants	13,593	12,664	4,569	27,459
Grant revenue is attributable to:				
- Commonwealth Funding	8,224	8,337	1,105	2,046
- State Funding	5,276	4,272	3,464	25,399
- Other	93	55	-	14
	13,593	12,664	4,569	27,459

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(f) Contributions				
Developer contributions:				
(s7.4 and s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
- S 7.11 - contributions towards amenities/services	-	-	4,135	5,612
- S 7.12 - fixed development consent levies	-	-	3,855	3,896
- S 7.4 - contributions using planning agreements	-	-	-	1,036
Non-cash contributions				
Other developer contributions	-	-	442	-
Total developer contributions	-	-	8,432	10,544
Other Contributions:				
Cash contributions				
Bushfire Services	769	797	36	329
Recreation & Culture	319	274	582	351
RMS Contributions (Regional/Local, Block Grant)	725	709	1,419	525
Footpath	-	-	79	-
Community Services	-	47	-	6,771
Community Land*	72	32	8	-
Non-cash contributions				
Subdivision dedications (other than by s7.11)	-	-	1,573	-
Other*	-	-	1,413	7,620
Total other contributions	1,885	1,859	5,110	15,596
Total contributions	1,885	1,859	13,542	26,140
Total grants and contributions	15,478	14,523	18,111	53,599

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed on the following page.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s7.4, s7.11 and s7.12 of the *Environmental Planning and Assessment Act 1979*.

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 the Council may apply contributions according to the priorities established in work schedules.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(g) Unspent grants and contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating Grants		
Operating grants recognised as income in the current period that:		
- have not been spent	912	930
Operating grants recognised in previous reporting periods that have been spent in the current reporting period	(1,764)	(2,966)
Net increase/(decrease) in operating grants held as restricted assets during the current reporting period	(852)	(2,036)
Capital Grants		
Capital grants recognised as income in the current period that:		
- have not been spent	2,042	21,747
Capital grants recognised in previous reporting periods that have been spent in the current reporting period	(10,261)	(4,709)
Net increase/(decrease) in capital grants held as restricted assets during the current reporting period	(8,219)	17,038
Contributions		
Contributions recognised as income in the current period that:		
- have not been spent	9,328	11,431
Contributions recognised in a previous reporting periods that have been spent in the current reporting period	(12,718)	(16,632)
Net increase/(decrease) in contributions held as restricted assets during the current reporting period	(3,390)	(5,201)
Nature of unspent grants and contributions		
Closing balance unspent grants:		
- Stronger Communities Fund	22,303	31,310
- New Council Implementation Fund	881	1,266
- Transport for NSW Bline projects	2,386	1,136
- Other grants	1,558	2,487
Closing balance unspent grants - refer to Note 6c:	27,128	36,199
Closing balance unspent contributions		
- Developer contributions	32,794	36,184
Closing balance unspent grants - refer to Note 22:	32,794	36,184

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4 Expenses from continuing operations

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(a) Employee Benefits & On-Costs		
Salaries and Wages	106,370	101,203
Employee Termination Costs	1,011	503
Travelling	84	122
Employee Leave Entitlements (ELE)	14,900	11,077
Superannuation	11,697	10,782
Workers' Compensation Insurance	1,008	1,190
Fringe Benefit Tax (FBT)	716	634
Training Costs (other than Salaries & Wages)	1,306	1,452
Recruitment Costs	534	316
Other	1,208	967
Total Employee Costs	138,834	128,246
Less: Capitalised Costs	(6,373)	(3,940)
Total employee costs expended	132,461	124,306

Accounting policy for employee benefits and on-costs

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

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

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

Council participates in a defined benefit plan under 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 17 for more information.

Workers compensation - Council is a self-insurer for workers compensation claims up to \$600,000. 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 12 for more information.

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(b) Borrowing Costs		
Interest on Loans	1,737	2,135
Amortisation of Discounts and Premiums		
- Remediation Liabilities	1,540	1,343
Total borrowing costs expended	3,277	3,478

Accounting policy for borrowing costs

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.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
\$ '000		
(c) Materials & contracts		
Raw Materials & Consumables:		
- Maintenance & Servicing*	9,191	8,365
- Minor Equipment	796	1,139
- Plant & Vehicle	2,234	2,736
- Other*	5,333	4,965
Contractor & Consultancy Costs:		
- Agency Personnel	6,999	5,479
- Bush Regeneration	4,028	3,689
- Cleaning	5,193	3,451
- Consultancy	533	1,293
- Coast & Waterways	895	758
- External Roadwork	4,057	2,106
- Garbage Collection	11,417	11,408
- Golf Course & Driving Range*	1,092	1,099
- Kimbriki Waste & Recycling Centre	11,112	11,300
- Land Use Planning*	925	460
- Lifeguard Services	1,164	1,125
- Natural Hazards & Floodplain Management*	1,842	431
- New Council Implementation Fund	284	831
- Parking	918	1,149
- Performance Fees	629	533
- Recycling	5,688	5,821
- NSW Revenue Fine Processing Fees	1,184	1,250
- Sportsfields & Vegetation*	3,022	3,071
- Stormwater	788	793
- Tree Works	3,363	3,839
- Waste Disposal	14,862	14,563
- Other*	10,139	11,310
Remuneration of Auditors: ⁽¹⁾		
- Audit Services	229	264
- Other Services	14	1
Legal Fees:		
- Planning & Development	1,628	1,367
- Other	2,498	2,245
Operating Leases:		
- Printers	285	259
- Other	92	121
Less: Capitalised Costs	(871)	(541)
Total materials and contracts	111,563	106,680

Accounting policy for materials and contracts

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Materials and Contracts expenses are recorded on an accruals basis as the Council receives the goods or services.

* Items have been re-classified in accordance with the Local Government Code of Accounting Practice.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4 Expenses from continuing operations (continued)

¹. Auditors' remuneration

Auditors of the Council - NSW Auditor General:

- a. During the period the following fees were paid or payable for services provided by the Auditor-General

(i) Audit and other assurance services	-	-
(ii) Audit and review of financial statements	229	264
Total fees paid or payable to the Auditor-General	229	264

- b. During the period the following fees were paid or payable for services provided by other auditors:

(i) Other non-assurance services	-	-
(ii) Other assurance services	14	1
Total fees paid or payable for non-assurance services	14	1

Total remuneration of auditors	243	265
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Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(d) Depreciation, Amortisation & Impairment		
Depreciation and amortisation		
Plant and Equipment	4,104	3,574
Office Equipment	2,006	1,504
Furniture & Fittings	42	76
Land Improvements (depreciable)	1,288	1,010
Infrastructure:		
- Buildings	8,239	5,645
- Roads Sealed	7,440	6,537
- Roads Unsealed	13	1
- Roads Other Assets	1,227	1,094
- Bridges	67	65
- Footpaths	878	773
- Stormwater Drainage	6,522	6,483
- Swimming Pools	438	435
- Open space/recreational assets	3,121	2,818
- Other Infrastructure	2,024	1,869
Other Assets:		
- Library Books	1,225	1,040
Tip Asset	995	995
Total depreciation and amortisation	39,629	33,919
Revaluation decrement of IPPE		
Infrastructure:		
- Buildings	-	987
Total impairment costs charged to income statement (IPPE)	-	987
Total depreciation and impairment for IPPE	39,629	34,906

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life utilising a short-life / long-life methodology. Useful lives are included in Note 9 for IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
(e) Other Expenses		
Other Expenses for the period include the following:		
Advertising	916	887
Bad & Doubtful Debts	204	162
Bank Charges	865	921
Mayoral Fee	86	63
Councillors' Fees	445	326
Councillors' (include. Mayor) Expenses	133	138
Contributions/levies to other levels of government:		
- Planning Levy	654	639
- Waste Levy	7,757	8,359
- Emergency Services Levy	5,488	5,820
- Other Levies	134	127
Donations, contributions and assistance to other organisations (s356)	1,060	573
Data Services	567	758
Election Expenses	-	1,122
Electricity & Heating	5,381	4,201
Fair Value Adjustment Investment Properties	120	-
Insurance	3,021	2,885
Interest on Bonds & Deposits	110	74
IT Expenses	4,100	3,486
Land Tax	289	286
Management Fees	1,712	1,614
Membership Fees & Subscriptions	781	641
Postage	793	621
Stationery & Printing	1,046	729
Street Lighting	3,795	3,882
Telephone & Communications	1,053	1,063
Valuation Fees	506	522
Other	2,973	2,286
Total other expenses	43,989	42,185

Accounting policy for other expenses

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Gain or loss from the disposal, replacement and de-recognition of assets

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
Property (excl. Investment Property)		
Proceeds from Disposal	3,308	1,515
less: Carrying Amount of Property Assets Sold	(3,285)	(374)
Net gain/(loss) on disposal	23	1,141
Plant & Equipment		
Proceeds from Disposal	2,319	2,442
less: Carrying Amount of P&E Assets Sold	(1,274)	(1,794)
Net gain/(loss) on disposal	1,045	648
Office Equipment & Furniture		
Proceeds from Disposal	-	-
less: Carrying Amount of OE&F Assets Sold	(5)	-
Net gain/(loss) on disposal	(5)	-
Infrastructure		
Proceeds from Disposal	-	7
less: Carrying Amount of Infrastructure Assets Sold	(887)	(723)
Net gain/(loss) on disposal	(887)	(716)
Capital Work in Progress		
Proceeds from Disposal	-	-
less: Carrying Amount of Capital Work in Progress	-	(1,463)
Net gain/(loss) on disposal	-	(1,463)
Investments		
Proceeds from Disposal	313,991	272,929
less: Carrying Amount of Investments Sold	(313,991)	(272,929)
Net gain/(loss) on disposal	-	-
Net gain/(loss) on disposal of assets	176	(390)

Accounting policy for disposal of assets

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

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 derecognised.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a) Cash and cash equivalents

	Actual 2019 \$'000	Actual 2018 \$'000
Cash at Bank and on Hand	1,155	894
Deposits at Call	5,897	5,143
Total Cash & Cash Equivalents	7,052	6,037

Accounting policy for cash and cash equivalents

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.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b) Investments

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Financial Assets at fair value through:				
Profit and Loss - Held for Trading	-	852	-	871
Debt securities at amortised cost (2019)/held-to-maturity investments (2018)*	187,917	-	208,886	2,500
Total	187,917	852	208,886	3,371
Financial Assets at fair value through Profit and Loss - held for trading:				
- Other long-term financial assets	-	852	-	871
Total	-	852	-	871
Comprising of:				
Mortgage Backed Securities	-	852	-	871
	-	852	-	871
Debt securities at amortised cost (2019)/held to maturity (2018)*				
- Term deposits	187,917	-	208,886	2,500
Total	187,917	-	208,886	2,500

*The financial assets have been classified under AASB 139 in 2018 and AASB 9 in 2019

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b) Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 - applicable from 1 July 2018

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.

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.

The Council's financial assets measured at amortised cost comprise trade and other receivables 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 derecognition 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 FVTPL.

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

The Council's financial assets measured at FVTPL comprise investments in NCDs and an investment in a mortgage backed security.

Accounting policy under AASB 139 - applicable for 2018 comparatives only

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Investments are de-recognised when the rights to receive cash flows have expired or have been transferred, and Council has transferred substantially all the risks and rewards of ownership.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 6(c) Restricted cash, cash equivalents and investments

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total Cash, Cash Equivalents and Investments	194,969	852	214,923	3,371
External Restrictions (refer below)	71,347	852	91,023	3,371
Internal Restrictions (refer below)	42,453	-	41,615	-
Unrestricted	81,169	-	82,285	-
	194,969	852	214,923	3,371
	2019 restricted cash		2018 restricted cash	
	\$'000		\$'000	
External Restrictions - Included in Liabilities				
Nil				
External Restrictions - Other				
Developer contributions - general (A)		32,794		36,184
Specific purpose unexpended grants (B)		3,944		3,611
Domestic waste management (C)		11,626		21,365
Stormwater management (C)		651		646
RMS contributions (D)		-		12
New council implementation fund (B)		881		1,266
Stronger communities fund (B)		22,303		31,310
External Restrictions - Other		72,199		94,394
Total External Restrictions		72,199		94,394

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans (refer Note 22).
- B** Grants 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** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 6(c) Restricted cash, cash equivalents and investments (continued)

	2019 restricted cash \$'000	2018 restricted cash \$'000
Internal Restrictions		
Balgowlah area improvements (A)	211	295
Mona Vale Cemetery reserve (B)	4,084	3,683
Deposits, retentions and bonds (C)	13,169	12,599
Employees leave entitlement (D)	6,809	6,181
Environmental levy (former Manly Council) (E)	1,907	1,827
Long Reef SLSC renewal (F)	-	79
Meals on Wheels (G)	270	230
Road Reserve (H)	-	-
Special rates variation (former Pittwater Council) (I)	4,903	4,509
Merger savings fund (J)	8,503	9,596
Tennis liaison trust fund (K)	275	283
Unexpended loans (L)	1,479	1,479
Manly Art Gallery (M)	723	720
Other (N)	120	134
Total Internal Restrictions	42,453	41,615
Total Restrictions	114,652	136,009

- A** Funds received through a special rate are set aside to be used on future capital works in Balgowlah around Sydney Road and Condamine Street.
- B** Any cash surplus from Mona Vale Cemetery operations is held as a restricted asset to fund future perpetual maintenance.
- C** 73% of deposits, retentions and bonds are held as restricted funds.
- D** 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff.
- E** 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.
- F** Monies set aside to fund capital works at Long Reef Surf Lifesaving Club.
- G** Any cash surplus from Meals on Wheels operations is held as a restricted asset to fund future expenses.
- H** 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.
- I** 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.
- J** Amalgamation savings achieved to 30 June 2018 and set aside to fund various future capital and operational projects.
- K** 70% of rental income from Mona Vale, Careel Bay, Elanora Park and Bayview Tennis Clubs is held as a restricted asset to be expended on future capital works and improvements at the Tennis Clubs.
- L** Balance of loan taken out by Council for a water detention tank at Manly Oval.
- M** Bequest to Council from Theodore Batten to fund future youth art award programs and artwork acquisitions.
- N** - Any cash surplus from the Bible Garden Public Reserve is held as a restricted asset to fund future maintenance at the site.
 - Rental income from the Café at Mona Vale Surf Club is held as a restricted asset to fund future maintenance and improvements.
 - cash set aside as a contribution towards the future replacement of pipeline and ongoing maintenance to the Scotland Island non potable emergency water supply.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7 Receivables

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Purpose				
Rates and annual charges	6,256	713	6,951	972
Interest and extra charges	656	446	245	262
User charges and fees	6,346	-	6,025	-
Accrued revenues:				
- Interest on Investments	2,334	-	2,221	-
Government Grants & subsidies	1,632	-	1,764	-
Net GST Receivable	2,468	-	1,745	-
Total	19,692	1,159	18,951	1,234
less: Provision for impairment				
User Charges & Fees	(720)	-	(572)	-
Total provision for impairment - receivables	(720)	-	(572)	-
Total net receivables	18,972	1,159	18,379	1,234

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7 Receivables (continued)

Accounting policy for receivables

Recognition and Measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018.

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

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

When considering ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

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

None of the receivables that have been written off is 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.

Accounting policy under AASB 139 - Applicable from 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8 Inventories & other assets

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Inventories				
At cost:				
Stores & materials	109	-	116	-
Trading stock	108	-	87	-
Total inventories	217	-	203	-
Inventories not expected to be realised within the next 12 months	-	-	-	-
Other assets				
Prepayments	1,272	18	1,268	-
Other	-	157	-	107
Total other assets	1,272	175	1,268	107
Total inventories & other assets	1,489	175	1,471	107

Accounting policy for inventories and other assets

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.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 9 Infrastructure, property, plant & equipment

By asset class	At 30 June 2018			Movements during year						At 30 June 2019		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Amount	Renewals	New Assets	Carrying Value of Disposals	Depreciation	Transfers	Revaluation Increments/ (decrements)	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	16,239	-	16,239	1,948	20,115	-	-	(16,066)	-	22,236	-	22,236
Plant & Equipment	28,826	15,508	13,318	346	20,577	(1,274)	(4,105)	-	-	44,096	15,233	28,863
Office Equipment	18,417	12,356	6,061	-	2,107	(3)	(2,006)	-	-	20,491	14,332	6,159
Furniture & Fittings	2,046	1,892	154	-	2	(2)	(42)	-	-	2,041	1,929	112
Land:												
- Operational Land	439,669	-	439,669	-	-	-	-	210	-	439,879	-	439,879
- Community Land	1,050,535	-	1,050,535	-	2,015	(3,285)	-	(210)	-	1,049,055	-	1,049,055
- Crown Land	1,027,250	-	1,027,250	-	1,056	-	-	-	-	1,028,306	-	1,028,306
- Land Under Roads	391	-	391	-	1,313	-	-	-	-	1,704	-	1,704
Land Improvements - depreciable	9,969	2,619	7,350	301	3,841	-	(1,288)	-	-	14,110	3,906	10,204
Infrastructure:												
- Buildings	628,794	160,015	468,779	9,397	2,935	(79)	(8,239)	-	-	639,613	166,820	472,793
- Roads Sealed	527,130	45,621	481,509	10,105	1,148	(67)	(7,440)	(860)	(10,385)	524,382	50,372	474,010
- Roads Unsealed	322	34	288	-	169	-	(13)	860	187	1,732	241	1,491
- Bridges	11,633	603	11,030	101	57	(51)	(67)	(2,193)	213	12,451	3,361	9,090
- Footpaths	86,932	10,072	76,860	1,917	6,314	(77)	(878)	-	7,862	104,264	12,266	91,998
- Other Road Assets	206,764	19,648	187,116	1,992	3,725	(135)	(1,227)	-	13,238	243,485	38,776	204,709
- Stormwater Drainage	942,365	143,355	799,010	6,783	1,062	(233)	(6,522)	-	-	949,913	149,813	800,100
- Swimming Pools	28,995	3,047	25,948	1,623	-	-	(438)	-	(4,284)	27,242	4,393	22,849
- Other Open Space/Recreational Assets	119,788	12,371	107,417	2,173	2,778	(14)	(3,121)	(2,453)	4,819	124,625	13,026	111,599
- Other Infrastructure	171,375	15,510	155,865	7,594	3,787	(231)	(2,024)	4,646	1,178	202,062	31,247	170,815
Other Assets:												
- Library Books	14,770	11,401	3,369	-	1,179	-	(1,225)	-	-	15,949	12,626	3,323
- Other	4,535	-	4,535	-	21	-	-	-	-	4,556	-	4,556
- Tip Asset	28,057	3,125	24,932	-	-	-	(995)	-	-	28,057	4,120	23,937
Total	5,364,802	457,177	4,907,625	44,280	74,201	(5,451)	(39,630)	(16,066)	12,828	5,500,249	522,461	4,977,788

Total capital expenditure was \$102.5 million.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 9 Infrastructure, property, plant & equipment (continued)

By asset class	At 30 June 2017			Movements during year						At 30 June 2018		
	Gross Carrying Amount	Accumulated Depreciation & Impairment	Net carrying amount	Renewals	New Assets	Carrying Value of Disposals	Depreciation and Impairment	Transfers	Revaluation Increments/ (decrements)	Gross Carrying Amount	Accumulated Depreciation & Impairment	Net carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	28,651	-	28,651	8,450	7,114	(1,463)	-	(26,513)	-	16,239	-	16,239
Plant & Equipment	27,401	14,700	12,701	5,576	91	(1,794)	(3,574)	318	-	28,826	15,508	13,318
Office Equipment	15,920	10,856	5,064	797	1,408	-	(1,504)	296	-	18,417	12,356	6,061
Furniture & Fittings	2,009	1,816	193	7	-	-	(76)	30	-	2,046	1,892	154
Land:												
- Operational Land	280,120	-	280,120	-	-	(58)	-	1,190	158,417	439,669	-	439,669
- Community Land	1,046,268	-	1,046,268	-	6,994	(316)	-	(2,411)	-	1,050,535	-	1,050,535
- Crown Land	1,027,250	-	1,027,250	-	-	-	-	-	-	1,027,250	-	1,027,250
- Land Under Roads	367	-	367	-	20	-	-	4	-	391	-	391
Land Improvements - depreciable	8,492	1,604	6,888	378	-	-	(1,010)	1,094	-	9,969	2,619	7,350
Infrastructure:												
- Buildings	542,366	86,353	456,013	10,249	8,503	(88)	(5,645)	734	(987)	628,794	160,015	468,779
- Roads Sealed	516,602	39,695	476,907	3,516	6,907	(19)	(6,537)	735	-	527,130	45,621	481,509
- Roads Unsealed	1,061	58	1,003	-	-	-	(1)	(714)	-	322	34	288
- Bridges	10,362	538	9,824	10	1,261	-	(65)	-	-	11,633	603	11,030
- Footpaths	78,717	9,706	69,011	972	7,738	(89)	(773)	1	-	86,932	10,072	76,860
- Other Road Assets	203,222	18,716	184,506	1,221	2,584	(71)	(1,094)	(30)	-	206,764	19,648	187,116
- Stormwater Drainage	936,458	137,106	799,352	4,134	2,524	(192)	(6,483)	(325)	-	942,365	143,355	799,010
- Swimming Pools	28,811	2,807	26,004	379	-	-	(435)	-	-	28,995	3,047	25,948
- Other Open Space/Recreational Assets	114,963	10,471	104,492	2,029	4,142	(93)	(2,818)	(335)	-	119,788	12,371	107,417
- Other Infrastructure	161,774	14,290	147,484	3,155	6,419	(171)	(1,869)	847	-	171,375	15,510	155,865
Other Assets:												
- Library Books	13,665	10,361	3,304	958	147	-	(1,040)	-	-	14,770	11,401	3,369
- Other	4,424	-	4,424	11	100	-	-	-	-	4,535	-	4,535
- Tip Asset	11,629	2,129	9,500	16,427	-	-	(995)	-	-	28,057	3,125	24,932
Total	5,060,532	361,206	4,699,326	58,269	55,952	(4,354)	(33,919)	(25,079)	157,430	5,364,802	457,177	4,907,625

Note:

Refer to Note 20 Fair value measurement for information regarding the fair value of I,P,P & E.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 9 Infrastructure, property, plant & equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

At balance date the following classes of IPP&E were stated at their fair value:

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

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

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

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus within the equity balance. 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 surplus directly in equity to the extent of the remaining surplus attributable to the class; all other decreases are charged to the Income Statement.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives utilising a short-life / long-life methodology. Useful lives are as follows:

Plant & Equipment

Office Equipment	4 - 10	years
Office Furniture	10 - 20	years
Vehicles	5 - 8	years
Heavy Plant and Road Making Equipment	5 - 8	years
Other Plant and Equipment	5 - 15	years

Other Equipment

Playground Equipment	5 - 15	years
Benches, seats etc.	10 - 20	years
Park Structures - Masonry	50 - 100	years
Park Structures - Other Construction	20 - 40	years

Buildings

Buildings - Masonry	50 - 100	years
Buildings - Other	20 - 40	years

Stormwater Drainage

Drains	60 - 100	years
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Transportation Assets

Sealed Roads - Surface	15 - 40	years
Sealed Roads - Structure	75 - 200	years
Bridge - Concrete	100	years
Bridge - Other	100	years
Road Pavements	50 - 60	years
Kerb, Gutter & Paths	80	years

Other Assets

Library Books	5 - 15	years
Artworks	Indefinite	

The assets' 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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 9 Infrastructure, property, plant & 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 in accordance with AASB 1051 Land Under Roads. Any land under roads that was recognised before 1 July 2008 was derecognised at 1 July 2008 against the opening balance of retained earnings. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment.

Crown Reserves

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

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

Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *'all fire fighting 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 fire fighting equipment has been purchased or constructed'*. Until such time as discussions on this matter have concluded and the legislation changed, Council will exclude these assets including plant and vehicles and depreciation charges within the financial statements.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10 Investment properties

	Actual 2019 \$'000	Actual 2018 \$'000
At Fair value		
Opening Balance at 1 July	6,085	2,080
Net gain (loss) from fair value adjustment	(120)	(684)
Transfer (to) from inventories and owner occupied property	-	4,689
Closing Balance at 30 June	5,965	6,085
(a) Amounts recognised in profit and loss for investment property		
Rental income	319	316
Outgoings recovered	2	1
Net gain (loss) from fair value adjustment	(120)	(684)
Direct operating expenses from property that generated rental income	(26)	(24)
	175	(391)
(b) Leasing Arrangements - Council as lessor		
The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows.		
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	277	282
Later than 1 year but less than 5 years	333	171
Later than 5 years	120	-
Total Minimum Lease Payments Receivable	730	453

Accounting policy for investment property

Investment property, principally comprising buildings, that are held for long-term rental yields and are not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Income Statement as part of other income.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 11 Payables and borrowings

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods & services	9,214	-	499	-
Accrued expenses:				
- Borrowings	306	-	355	-
- Wages and salaries	519	-	338	-
- Other	15,525	-	17,726	-
Deposits & retentions	18,036	-	17,466	-
Government departments and agencies	106	-	-	-
Other Payables	54	-	786	-
Total Payables	43,760	-	37,170	-
Income received in advance				
Payments received in advance	3,972	-	4,501	-
Total income received in advance	3,972	-	4,501	-
Borrowings				
Loans - Secured ⁽¹⁾	5,129	27,490	5,225	32,358
Total Borrowings	5,129	27,490	5,225	32,358
Total payables and borrowings	52,861	27,490	46,896	32,358

Notes:

⁽¹⁾Loans are secured over the income of Council

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
(a) Current payables not expected to be settled within the next 12 months				
Deposits & Retentions	10,429	-	11,735	-
Total	10,429	-	11,735	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 11 Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	2018 \$'000	Cash Flows \$'000	Non-cash changes \$'000			2019 \$'000
			Acquisition	Fair value changes	Other non- cash movement	
Loans:						
- secured	37,583	(4,964)	-	-	-	32,619
Total liabilities from financing activities	37,583	(4,964)	-	-	-	32,619

	2017 \$'000	Cash Flows \$'000	Non-cash changes \$'000			2018 \$'000
			Acquisition	Fair value changes	Other non- cash movement	
Loans:						
- secured	48,018	(10,435)	-	-	-	37,583
Total liabilities from financing activities	48,018	(10,435)	-	-	-	37,583

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 11 Payables and borrowings (continued)

(c) Financing arrangements

	Actual 2019 \$'000	Actual 2018 \$'000
Total facilities		
The amount of total financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	500	1,000
- Corporate credit cards	150	150
	650	1,150
Drawn facilities		
The amount of financing facilities drawn down at the reporting date is:		
- Bank overdraft facility	-	-
- Corporate credit cards	35	30
	35	30
The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.		
Undrawn facilities		
The amount of undrawn financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	500	1,000
- Corporate credit cards	115	120
	615	1,120

Breaches and defaults

During the current year 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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 11 Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

The financial liabilities of Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. 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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 12 Provisions

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Provisions				
Employee benefit provisions				
Annual Leave	10,086	-	10,006	-
Sick Leave	411	-	387	-
Long Service Leave	22,379	2,169	18,451	1,895
Other Leave	132	-	155	-
Gratuities	9	-	8	-
Total - Aggregate employee benefits	33,017	2,169	29,007	1,895
Other Provisions				
Self Insurance - Workers Compensation	569	1,324	495	998
Asset Remediation	-	37,745	-	36,205
Total Provisions	33,586	41,238	29,502	39,098
Current Provisions not expected to be settled within the next 12 months	19,833	-	16,227	-

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below.

(a) Description of and movement in provisions

	Self Insurance ^a \$'000	Asset Remediation ^b \$'000
At beginning of year	1,493	36,205
Amounts used	(409)	-
Additional Provisions	809	1,540
TOTAL	1,893	37,745

- a. Self Insurance Provisions represent both (i) Claims incurred but not reported and (ii) Claims reported and estimated as a result of Council being a self insurer for Workers Compensation Claims. Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria set out in AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

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

- Claims Escalation of 2.200% - 2.500% per annum and Bond Yields of 0.760% - 2.201% 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 2019;
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in standardised values as at June 2019;

The last actuarial assessment of Workers Compensation claims was undertaken in July 2019 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

- b. 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. The projected cost of this restoration is \$145.8 million based on a Landfill Closure and Post Closure Management Evaluation of Costs Report and has been discounted to its present value at 4.26% per annum being the risk-free cost of borrowing to Council. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Mockinya Consulting in June 2018.

Northern Beaches Council

Notes to the Financial Statements for the year ended 30 June 2019

NOTE 12 Provisions (continued)

Accounting policy for provisions

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

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

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

Employee Benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Self-insurance

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 12 Provisions (continued)

Accounting policy for provisions (continued)

Asset Remediation - Provisions for close down and restoration and for environmental clean up costs

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of tip operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in waste 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13 Accumulated surplus, revaluation surplus, changes in accounting policies, and accounting estimates

(a) Nature and Purpose of Revaluation Surplus

Infrastructure, Property, Plant & Equipment Revaluation Surplus

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

	Actual 2019 \$'000	Actual 2018 \$'000
Notes		
Accumulated Surplus		
Movements in Accumulated Surplus were as follows:		
Balance at beginning of period	4,846,014	4,767,709
Net Result for the period	27,893	78,305
Balance at end of period	4,873,907	4,846,014
Infrastructure, Property, Plant & Equipment Revaluation Surplus:		
Balance at beginning of period	158,417	-
Gain / (loss) on revaluation	9 12,828	158,417
Total	171,245	158,417

(b) Changes in accounting policy due to adoption of new Accounting Standards

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, The Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the Income Statement. In prior year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Council has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13 Accumulated surplus, revaluation surplus, changes in accounting policies and accounting estimates (continued)

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Financial assets	Classification under AASB 139	Classification under AASB 9	Carrying Amount under AASB 139 \$'000	Reclassification \$'000	Re- measurements \$'000	Carrying Amount under AASB 9 \$'000
Debt securities	FVTPL	FVTPL	871	-	-	871
Cash and cash equivalents	Loans and receivables	Amortised Cost	6,037	-	-	6,037
Term deposits (i)	Held to maturity	Amortised Cost	211,386	-	-	211,386
Total financial assets under AASB 9 at 1 July 2018			218,294	-	-	218,294
Financial liabilities	Classification under AASB 139	Classification under AASB 9	Carrying Amount under AASB 139 \$'000	Reclassification \$'000	Re- measurements \$'000	Carrying Amount under AASB 9 \$'000
Secured bank loans	Other financial liabilities	Other financial liabilities	37,583	-	-	37,583
Trade Payables	Other financial liabilities	Other financial liabilities	499	-	-	499
Other Payables	Other financial liabilities	Other financial liabilities	36,671	-	-	36,671
Total financial liabilities under AASB 9 at 1 July 2018			74,753	-	-	74,753

Notes to table above:

i. Reclassification from 'held to maturity' to amortised cost

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised costs'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13 Accumulated surplus, revaluation surplus, changes in accounting policies and accounting estimates (continued)

(c) Changes in accounting policy - voluntary change

No voluntary changes in accounting policy have been undertaken during the year.

(d) Changes in accounting estimates

No accounting estimates have been amended during the year.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14 Statement of cash flows information

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	7,052	6,037
Balances as per Statement of Cash Flows		7,052	6,037
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		28,025	78,469
Add:			
Depreciation and Amortisation		39,629	33,919
Revaluation Decrement		-	987
Decrease in Other Current Assets		-	135
Decrease in Receivables		-	555
Decrease in Equity Share in Joint Venture		-	14
Increase in Payables		8,715	-
Increase in Provision for Impairment of receivables		148	189
Increase in Provision for Leave Entitlements		4,284	-
Increase in Other Provisions		1,940	509
Loss on Disposal of Assets		-	390
Fair Value Adjustments to Investment Property		120	684
		82,861	115,851
Less:			
Increase in Other Current Assets		(72)	-
Increase in Receivables		(666)	-
Increase in Inventories		(14)	(11)
Decrease in Payables		-	(319)
Decrease in Accrued Interest Payable		(49)	(108)
Decrease in Other Accrued Expenses Payable		(2,020)	(2,334)
Decrease in Other Current Liabilities		(585)	(426)
Decrease in Leave Entitlements		-	(415)
Non Cash Contributions		(4,484)	(7,620)
Gain on Disposal of Assets		(176)	-
Fair Value Adjustments to Financial Assets through Profit and Loss		(23)	(31)
Net Cash provided from (or used in) operating activities from Statement of Cash Flows		74,772	104,587
(c) Non-Cash Investing & Financing Activities			
Non Cash Contributions - Land and Buildings		4,484	7,620
		4,484	7,620

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15 Interests in other entities

Interests in subsidiary

(a) Composition of the Group

	Principal place of business	Percentage % Owned 2019	Percentage % Owned 2018
Subsidiary			
Kimbriki Environmental Enterprises Pty Limited	Kimbriki Road, Ingleside, NSW	96.16%	96.16%

The percentage ownership interest held is equivalent to the percentage voting rights.

The financial position and performance Kimbriki Environmental Enterprises Pty Ltd is for the financial period ended 30 June 2019.

Controlled entities with ownership interest of 50% or less

Council does not have any subsidiaries with an ownership interest of less than 50%.

(b) Significant restrictions relating to subsidiary

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

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

- any decision of the company to require the Councils to subscribe for further Shares to fund the continuing operation of the Company.
- any decision of the shareholders in relation to any of the following matters:
 - any lease of the Kimbriki Facility from Northern Beaches Council;
 - any call offer in favour of Northern Beaches Council to purchase the Kimbriki Residential Properties (assuming the Company acquires them); and
 - any Collection Contract between the Company and Northern Beaches Council.

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

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15 Interests in other entities (continued)

(c) Subsidiary with material Non-Controlling Interests (NCI)

	Kimbriki Environmental Enterprises Pty Limited 30 June 2019	Kimbriki Environmental Enterprises Pty Limited 30 June 2018
% Ownership held by NCI	3.84%	3.84%
	\$'000	\$'000
Profit/(Loss) allocated to NCI	132	164
Accumulated NCI of subsidiary	1,088	956
Summarised statement of financial position		
Current assets	22,271	19,264
Non-current assets	20,662	17,726
Current liabilities	5,863	5,430
Non-current liabilities	8,726	6,657
Net assets	28,344	24,903
Summarised statement of profit and loss and other comprehensive income		
Revenue	35,410	35,400
Profit/(Loss)	3,442	4,262
Total Comprehensive Income	3,442	4,262
Summarised statement of cash flows		
Cash flows from operating activities	8,148	6,546
Cash flows from investing activities	(4,604)	(3,562)
Net increase / (decrease) in cash and cash equivalents	3,544	2,984

Accounting policy for subsidiary

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

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

Notes to the Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15 Interests in other entities (continued)

(d) Consequences of changes in a Council's ownership interest in a subsidiary that do not result in a loss of control

Disposal of ownership interest

Council did not dispose of any ownership interest in a subsidiary during the period.

Acquisition of ownership interest

Council did not acquire additional ownership interest in a subsidiary during the period.

Associates and joint ventures

Council remains a member of the Premsure Insurance Pool but holds an immaterial interest in the Joint Venture.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16 Commitments

	Actual 2019 \$'000	Actual 2018 \$'000
(a) Capital Commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Land & Buildings	4,110	616
- Plant & Equipment	1,759	1,210
- Infrastructure	10,649	8,832
Total	16,518	10,658

Description of Commitments

Contractual commitments for capital works currently being undertaken

(b) Non-cancellable Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

- Not later than one year	149	248
- Later than one year and not later than five years	312	288
- Later than five years	62	-
Total	523	536

Description of Leases

-Information Technology Equipment
 -Electric Vehicles
 -Solar Panels - Kimbriki

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17 Contingencies

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

Contingent Liabilities

1. Guarantees

(i) Superannuation

Defined Benefit Superannuation Contribution Plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils. Further information is provided under d) below.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018. 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 AASB119

- 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.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.
- iii) The expected contributions of fee plan for the next annual reporting period are \$1,733,401.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17 Contingencies (continued)

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,798.70	
Past Service Liabilities	1,784.20	100.80%
Vested Benefits	1,792.00	100.40%

*excluding member accounts and reserves in both assets and liabilities

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

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

*Plus promotional increases

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

- v) An indication of the level of participation of Council in the plan compared with other participating entities.

Council's additional lump sum contribution per annum of \$1,004,000 as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) is 2.51% which provides an indication of the level of participation of Council compared with other employers in the Pooled Employer subgroup.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years. The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) Workers Compensation

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. Council provides bank guarantees to the value of \$1,711,000 to secure its self-insurance licence for workers compensation. The guarantee is provided to the State Insurance Regulatory Authority.

(iv) Other Guarantees

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

Kimbriki Environmental Enterprises Pty Ltd has provided a Bank Guarantee in the amount of \$250,000 to Ku-Ring-Gai Council as a security for contract for acceptance of vegetation waste. It is not expected that this amount will be drawn down.

Kimbriki Environmental Enterprises Pty Ltd has provided a Bank Guarantee in the amount of \$190,000 to Sydney Water Corporation as a bonding for works for adjustment/deviation of a Sydney Water sewer main.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17 Contingencies (continued)

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) 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 22).

(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 2019, Council was party to 33 Class 1 appeals and 4 Class 4 appeals in the Land & Environment Court. All known costs have been recognised, however the amount of further costs cannot be known until the appeals are determined.

Council is involved in other litigation (including civil liability proceedings and Local Court prosecutions). Whilst these matters are unlikely to cost Council in excess of \$100,000 individually (subject to the comments below), 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 Environmental Conservation. As a result, where notified in writing by the various owners, Council may be required to purchase these land parcels. At the reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions have not been possible.

(v) Other

At the first meeting of Northern Beaches Council on 19 May 2016, the Administrator undertook to review the Manly Oval project and the Whistler Street project in light of community concerns. At the meeting on 23 August 2016, Council resolved to terminate the Development Deed with Built Development (Manly) Pty Ltd (Built) and Athas Holdings Pty Ltd (Athas). On 15 November 2016, Council provided notice of termination of the Development Deed for the Whistler Street project to Built and Athas. On 25 November 2016, Built and Athas provided to Council a notice under the Development Deed disputing the validity of the termination. Council entered into negotiations with Built and Athas regarding the Whistler Street project and the disputed termination under a Negotiations Deed. These negotiations were without prejudice. The negotiations came to an end without agreement, and Built and Athas provided Council with a letter dated 25 May 2017 terminating the Negotiations Deed effective on or about 25 June 2017. On 26 October 2017, Built and Athas lodged a claim in the Supreme Court of NSW for loss of profit, interest (pursuant to section 100 of the Civil Procedure Act 2005 (NSW)), costs, interest on costs and such further or other orders as the Court thinks fit.

Following Council's List Response to the claim being filed and served, the plaintiffs have filed and served an Amended Commercial List Statement to which Council has served a response. There has followed a series of interlocutory procedures and an adverse order against Council in relation to the interlocutory proceedings in which the Court struck out paragraphs of Council's Commercial List Response. However, Council appealed the decision to strike out paragraphs of Council's Commercial List Response and the costs order. Council was successful in its appeal and the plaintiffs were ordered to pay Council's costs of the strike out application and the appeal. The plaintiffs have served their evidence in chief and have filed and served a Further Amended Commercial List Statement (FACLS). Council has filed its Commercial List Response to the FACLS. Council will continue to defend the claim.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17 Contingencies (continued)

Contingent Assets

(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. Councils 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 not recognising issued but unpaid Infringement Notices.

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

(ii) Building Commencements

There is still building activity that may have commenced without proper approval and payment of appropriate fees. However, investigations into unlawful works will address these in part, and where a Building Information Certificate is sought, all relevant fees are required to be paid that would have been due if works had been commenced lawfully, including construction certificates and development assessment fees.

(iii) Premsure Insurance Pool

At 30 June 2019, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 15, noting it holds an immaterial interest in the Joint Venture. It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the Pool. Accordingly, at year end there is a potential asset of Council in the amount of the distribution from the Pool. However, there is no reliable basis upon which Council is able to determine the value of this potential asset.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18 Financial risk management

Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk. 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 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 Unit under policies approved by the Council.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying value.

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Financial Unit manages its cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with the Local Government Act & Ministerial Investment Order 625. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

The risks associated with the instruments held are:

- Price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers, or factors affecting similar instruments traded in a market.
- Interest rate risk – the risk that movements in interest rates could affect returns.
- 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 a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

(a) Market risk - price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	2019 \$'000	2018 \$'000
Impact of a 10% ⁽¹⁾ movement in price of Investments		
- Equity	85	87
- Income Statement ⁽²⁾	85	87
Impact of a 1% ⁽¹⁾ movement in Interest Rates on Cash and Investments		
- Equity	1,950	2,174
- Income Statement ⁽²⁾	1,950	2,174

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and FRNs.) Recent market volatility has seen larger market movements for certain types of investments.

⁽²⁾ Maximum impact.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18 Financial risk management (continued)

(b) Credit risk

Council's major receivables comprise Rates & Annual Charges and User Charges & Fees. The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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 & Annual Charges which further encourages payment.

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 subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at reporting date was:

	Not Yet Due		Overdue Debts				Total
	\$'000	< 1 year \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000	\$'000	
Rates and Annual Charges							
2019	-	4,161	418	1,352	1,038		6,969
2018	-	740	5,762	757	664		7,923

Receivables - non- rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows, the expected credit losses incorporate forward looking information.

		Not Yet Due		Overdue Debts				Total
		\$'000	< 30 days \$'000	30-60 days \$'000	60-90 days \$'000	> 90 days \$'000	\$'000	
2019	Gross carrying amount	10,877	483	194	258	2,070		13,882
	Expected loss rate (%)	0.35%	0.41%	5.67%	4.65%	31.74%		
	ECL provision	38	2	11	12	657		720

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18 Financial risk management (continued)

(c) Liquidity risk

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and by maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities can be drawn down 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 by borrowing long term and fixing the interest rate on a 4 year renewal basis. The Finance Unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
\$'000					
At 30 June 2019					
Payables	43,656	-	-	43,656	43,656
Borrowings	5,129	18,221	9,269	32,619	32,619
Total Financial Liabilities	48,785	18,221	9,269	76,275	76,275

	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
\$'000					
At 30 June 2018					
Payables	37,170	-	-	37,170	37,170
Borrowings	5,214	19,711	12,658	37,583	37,583
Total Financial Liabilities	42,384	19,711	12,658	74,753	74,753

The following interest rates were applicable to Council's borrowings at balance date:

	30 June 2019		30 June 2018	
	Weighted Average Interest Rate	Balance \$'000	Weighted Average Interest Rate	Balance \$'000
Overdraft	-	-	-	-
Bank Loans - Fixed	5.3%	23,419	5.3%	27,537
- Variable ⁽¹⁾	3.0%	9,200	3.7%	10,046
		32,619		37,583

⁽¹⁾ The interest rate risk applicable to variable rate bank loans is not considered significant.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19 Material budget variations

Council's original budget was adopted by Council on 26 June 2018 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, the weather, and by decisions made by the Council.

While these general purpose financial statements include the original budget adopted by Council, the Local Government Act requires Council to review its financial budget on a quarterly basis so it is able to manage the various variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results are explained below.

Revenues

1 Investment Fees and Revenues

Original Budget		Actuals		Variance			
\$'000	5,748	\$'000	6,696	\$'000	948	Variance	16%

The increase was due to higher than anticipated investment balances as a result primarily of the receipt of additional grants and contributions for both capital and operational purposes and the timing of capital expenditure.

2 Grants and Contributions provided for operating purposes

Original Budget		Actuals		Variance			
\$'000	13,177	\$'000	15,478	\$'000	2,301	Variance	17%

Council budgets conservatively for operating grants in order to avoid reliance on unsecured funding.

Significant increases included:

- \$0.537m for the natural disaster funding for damage resulting from the April 2015 East Coast Low
- \$0.511m for the B-Line project contribution towards bus shelters
- \$0.349m within Children's Services as the NSW Department of Education advised that the Legacy funding for long day care and vacation care would continue until June 2019 pending an external review of the funding
- \$0.235m advance payment of the 2019-20 pre-school grants in June 2019

3 Grants and Contributions provided for capital purposes

Original Budget		Actuals		Variance			
\$'000	11,985	\$'000	18,111	\$'000	6,126	Variance	51%

Council budgets conservatively for capital grants in order to avoid reliance on unsecured funding.

Significant increases included :

- \$1.573m (non-cash) recognition of the fair value of land at Belrose TAFE purchased for \$1
- \$1.413m (non-cash) for numerous dedications of land and an amenities building associated with development
- \$1.250m B-Line Grant for the Dee Why Lagoon and Narrabeen pedestrian bridges from TfNSW
- \$0.628m for the Regional Road Repair Program
- \$0.580m RMS 'Boating now' grant for the Church Point Masterplan Wharf extension
- \$0.369m RMS grants for traffic facilities and bike paths

4 Gains on Disposal of Assets

Original Budget		Actuals		Variance			
\$'000	765	\$'000	176	\$'000	-589	Variance	-77%

Council takes the conservative position to not budget for a gain or loss on sale of assets with the exception of planned plant and equipment sales.

The variance was principally due to the transfer of 32 parcels of land on the Pittwater Western Foreshore to the National Parks and Wildlife Services at a book cost of \$2.9m. Significant sales included the acquisition of Council land adjacent to Manly Vale Public School by the Department of Education for \$1.6m (less the asset book value of \$0.432m) and the sale of road reserves at locations including Brookvale, Dee Why, Freshwater, Clontarf and Whale Beach for \$1.6m.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19 Material budget variations (continued)

Expenses

1 Depreciation

Original Budget		Actuals		Variance			
\$'000	35,386	\$'000	39,629	\$'000	4,243	Variance	12%

The revaluation of building assets resulted in an increase in the depreciation expense for these assets (\$2m). The creation of new assets and the renewal of a significant number of assets over the past twelve months also resulted in an adjustment to the depreciation for those existing assets to recognise their condition at their point of commissioning.

2 Fair value decrement on investment properties

Original Budget		Actuals		Variance			
\$'000	0	\$'000	120	\$'000	120	Variance	n/a

Due to the unpredictability of this adjustment, and its non-cash impact, Council does not budget for a gain on fair value for investment properties.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20 Fair value measurement

Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure and property
- Investment property
- Financial assets

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.

Fair value hierarchy

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 Council 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	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by Council

	Note	Level 2 Significant observable inputs \$'000		Level 3 Significant unobservable inputs \$'000		Total \$'000	
		2019	2018	2019	2018	2019	2018
Recurring fair value measurements							
Financial assets							
Investments							
- At fair value through profit or loss	6	852	871			852	871
Investment Properties							
Commercial Office and Retail	11	5,965	6,085			5,965	6,085
Infrastructure, property, plant and equipment							
Plant & Equipment	10			28,863	13,318	28,863	13,318
Office Equipment	10			6,159	6,061	6,159	6,061
Furniture & Fittings	10			112	154	112	154
Operational Land	10	439,879	439,669			439,879	439,669
Community Land	10			1,049,055	2,077,785	1,049,055	2,077,785
Crown Land	10			1,028,306		1,028,306	
Land Under Roads	10			1,704	391	1,704	391
Land Improvements - Depreciable	10			10,204	7,350	10,204	7,350
Buildings	10			472,793	468,779	472,793	468,779
Roads Sealed	10			474,010	481,509	474,010	481,509
Roads Unsealed	10			1,491	288	1,491	288
Other Road Assets	10			204,709	187,116	204,709	187,116
Bridges	10			9,090	11,030	9,090	11,030
Footpaths	10			91,998	76,860	91,998	76,860
Drainage Infrastructure	10			800,100	799,010	800,100	799,010
Swimming Pools	10			22,849	25,948	22,849	25,948
Other Open Space/Recreational Assets	10			111,599	107,417	111,599	107,417
Other Infrastructure	10			170,815	155,865	170,815	155,865
Library Books	10			3,323	3,369	3,323	3,369
Other	10			4,556	4,535	4,556	4,535
Tip Asset	10			23,937	24,932	23,937	24,932
Total		446,696	446,625	4,515,673	4,451,717	4,962,369	4,898,342

Note that capital WIP is not included above since it is carried at cost.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20 Fair value measurement (continued)

Valuation Techniques

Level 3 Measurements

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

	Fair value (30/6/19) \$'000	Valuation Techniques	Unobservable inputs
Infrastructure and Property			
Community Land	1,049,055	Land values obtained from the NSW Valuer-General	VG value (price per square metre)
Crown Land	1,028,306	Land values obtained from the NSW Valuer-General	VG value (price per square metre)
Land Under Roads	1,704	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	10,204	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	472,793	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	474,010	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Unsealed	1,491	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Other Assets	204,709	Unit rates per m2 and length	Asset condition and remaining useful life
Bridges	9,090	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	91,998	Unit rates per m2 and length	Asset condition and remaining useful life
Drainage Infrastructure	800,100	Unit rates per m2 and length	Asset condition and remaining useful life
Swimming Pools	22,849	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	111,599	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	170,815	Replacement cost used to approximate fair value	Asset condition and remaining useful life

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20 Fair value measurement (continued)

Reconciliation of Movements

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

	2019 \$'000	2018 \$'000
Balance at 1 July	4,399,348	4,355,369
Recognised in profit or loss - realised	(864)	(1,840)
Purchases	72,186	80,569
Sales	(3,308)	(1,154)
Depreciation	(31,257)	(26,730)
Other Movements	(210)	(5,879)
Revaluations	12,828	(987)
Balance as at 30 June	4,448,723	4,399,348

There are no transfers identified in the table above.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21 Related party disclosures

Key management personnel

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

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

	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2018 \$'000
Compensation		
Short-term benefits	2,410	2,168
Post-employment benefits	142	102
Other long-term benefits	60	55
Termination benefits	511	408
Total	3,122	2,733

Other transactions with KMP and their related parties

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

Nature of the transaction	Amount of the transactions during the year	Outstanding balances including commitments at year end	Terms and conditions	Provisions for impairment of receivables related to the amount of outstanding balances
2019	\$'000	\$'000		\$'000
Community Grants & Contributions ¹	9	-	-	-
Lease Income ²	3	-	-	-
Novated Leases ³	15	-	-	-

2018

Community Grants ¹	5	-	-	-
Lease Income ²	3	-	Payable monthly in advance	-
Purchase of IT equipment ⁴	1	-	-	-
Funding of Building works for RFS ⁵	230	-	-	-

¹ Council has provided funding to Manly Warringah Women's Resource Centre, a not-for-profit service which has a member of Council's KMP on the board

² Manly Warringah Women's Resource Centre leases a building from Council. A member of Council's KMP is on the board

³ Council has entered into novated lease agreements for KMP and their family. These costs are recovered through payroll deductions.

⁴ A KMP member purchased some minor IT equipment from Council

⁵ Council provided funding for works to Davidson RFS building. A Council KMP member is President of the brigade

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21 Related party disclosures (continued)

Other related parties

Type of related party	Nature of the transaction	Amount of the transactions during the year	Outstanding balances including commitments at year end	Terms and conditions
2019		\$'000	\$'000	
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Tipping Fees	9,711	637	-
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Lease Income	2,885	-	Payable monthly on the 1st of each month
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Other Income	9	5	-

2018

Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Tipping Fees	9,964	666	-
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Lease Revenue	2,984	-	Payable monthly on the 1st of each month
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Other Income	21	-	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22 Statement of developer contributions

(a) Summary of developer contributions

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community facilities	7,045	495	-	108	(855)	-	6,793	-
Drainage	5,625	524	442	72	(461)	-	6,202	-
Environmental programs (incl. drainage)	1,360	374	-	42	-	-	1,776	-
Library and recreation	(348)	-	-	-	-	-	(348)	-
Open space	11,997	1,723	-	254	(8,273)	-	5,701	-
Parking	2,021	-	-	56	-	-	2,077	-
Roads	(5,559)	526	-	(66)	(665)	-	(5,764)	-
Streetscape/transport	2,602	301	-	74	-	-	2,977	-
Traffic facilities	600	57	-	16	(40)	-	633	-
Other	(146)	135	-	3	(317)	-	(325)	-
S7.11 Contributions - under a Plan	25,197	4,135	442	559	(10,611)	-	19,722	-
S7.12 Levies - under a Plan	9,932	3,855	-	308	(2,107)	-	11,988	-
Total Revenue Under Plans	35,129	7,990	442	867	(12,718)	-	31,710	-
S7.11 not under Plans	136	-	-	-	-	-	136	-
S7.4 Planning Agreements	1,040	-	-	29	-	-	1,069	-
Total Contributions	36,305	7,990	442	896	(12,718)	-	32,915	-
Less: Land	(121)	-	-	-	-	-	(121)	-
Total Cash Contributions	36,184	7,990	442	896	(12,718)	-	32,794	-

(b) Contributions - Under a plan

S7.11 Contributions - Under a plan

Former Manly Council - Residential (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Traffic facilities	470	36	-	13	-	-	519	-
Open space	610	374	-	39	(291)	-	732	-
Community facilities	(1,251)	64	-	-	(360)	-	(1,547)	-
Streetscape/transport	1,784	163	-	51	-	-	1,998	-
Environmental programs (incl. drainage)	422	243	-	14	-	-	679	-
Total	2,035	880	-	117	(651)	-	2,381	-

Northern Beaches Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 22 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

Former Manly Council - Manly Precinct/Commercial (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Traffic facilities	84	21	-	2	-	-	107	-
Community facilities	(70)	24	-	-	-	-	(46)	-
Streetscape/transport	5	138	-	1	-	-	144	-
Environmental programs (incl. drainage)	636	131	-	19	-	-	786	-
Total	655	314	-	22	-	-	991	-

Former Manly Council - Other Precincts (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Traffic facilities	7	-	-	-	-	-	7	-
Community facilities	(69)	-	-	-	-	-	(69)	-
Streetscape/transport	813	-	-	22	-	-	835	-
Environmental programs (incl. drainage)	276	-	-	8	-	-	284	-
Total	1,027	-	-	30	-	-	1,057	-

Former Manly Council - Parking (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Parking	1,905	-	-	53	-	-	1,958	-
Total	1,905	-	-	53	-	-	1,958	-

Former Manly Council - Manly Precinct (1999 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Open space	251	-	-	7	-	-	258	-
Library and recreation	19	-	-	-	-	-	19	-
Total	270	-	-	7	-	-	277	-

Northern Beaches Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 22 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

Former Manly Council - Other Precincts (1999 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Open Space	324	-	-	12	-	-	336	-
Library and recreation	(367)	-	-	-	-	-	(367)	-
Total	(43)	-	-	12	-	-	(31)	-

Former Manly Council - Parking (1999 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Parking	116	-	-	3	-	-	119	-
Total	116	-	-	3	-	-	119	-

Former Manly Council - Tourist Developments (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Open space	29	-	-	1	-	-	30	-
Environmental programs (incl. drainage)	26	-	-	1	-	-	27	-
Total	55	-	-	2	-	-	57	-

Former Pittwater Council - Contribution Plan Number 2 - Open space, bushland and recreation

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Open space	-	100	-	-	(27)	-	73	-
Total	-	100	-	-	(27)	-	73	-

Former Pittwater Council - Contribution Plan Number 3 - Public library services

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community facilities	263	24	-	6	(158)	-	135	-
Total	263	24	-	6	(158)	-	135	-

Northern Beaches Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 22 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

Former Pittwater Council - Contribution Plan Number 4 to 10 & 15 - Warriewood Valley and material public works

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	5,625	524	442	72	(461)	-	6,202	-
Roads	(5,559)	526	-	(66)	(665)	-	(5,764)	-
Open space	3,408	1,249	-	50	(435)	-	4,272	-
Community facilities	8,137	343	-	101	(261)	-	8,320	-
Other	(441)	66	-	(5)	(27)	-	(407)	-
Total	11,170	2,708	442	152	(1,849)	-	12,623	-

Former Pittwater Council - Contribution Plan Number 18 - Community service facilities

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community facilities	35	40	-	1	(76)	-	-	-
Total	35	40	-	1	(76)	-	-	-

Former Pittwater Council - Contribution Plan Number 19 - Village streetscape

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	295	69	-	8	(290)	-	82	-
Total	295	69	-	8	(290)	-	82	-

Former Warringah Council - 2001 plan

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Traffic Facilities	39	-	-	1	(40)	-	-	-
Open Space	7,375	-	-	145	(7,520)	-	-	-
Total	7,414	-	-	146	(7,560)	-	-	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22 Statement of developer contributions (continued)

S7.12 Contributions - Under a Plan

Former Warringah Council - s7.12 contribution plan

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	9,932	3,855	-	308	(2,107)	-	11,988	-
Total	9,932	3,855	-	308	(2,107)	-	11,988	-

(c) Contributions - not under a plan

Former Manly Council

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	15	-	-	-	-	-	15	-
Total	15	-	-	-	-	-	15	-

Former Warringah Council

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	121	-	-	-	-	-	121	-
Total	121	-	-	-	-	-	121	-

(d) S7.4 Contributions - Planning Agreements

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	1,040	-	-	29	-	-	1,069	-
Total	1,040	-	-	29	-	-	1,069	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2019

NOTE 23 Statement of performance measures - consolidated results

	Amounts			Benchmark
\$ '000	2019 \$'000	2019 Indicators	2018 Indicators	
1. Operating Performance				
Total continuing operating revenue ¹ excluding capital grants and contributions less operating expenses ²	9,835	2.89%	7.97%	>0
Total continuing operating revenue ¹ excluding capital grants and contributions	340,810			
2. Own Source Operating Revenue				
Total continuing operating revenue ¹ excluding all grants and contributions	325,154	90.64%	82.58%	>60%
Total continuing operating revenue ¹ inclusive of capital grants and contributions	358,744			
3. Unrestricted Current Ratio				
Current assets less all external restrictions	142,914	2.65x	3.09x	>1.5x
Current liabilities less specific purpose liabilities	53,948			
4. Debt Service Cover Ratio				
Operating Results ¹ before capital excluding interest and depreciation/impairment/amortisation	52,741	6.40x	4.62x	>2x
Principal repayments (from the statement of cash flows) plus borrowing interest costs (from the income statement)	8,241			
5. Rates and Annual Charges Outstanding Percentage				
Rates and Annual Charges Outstanding	8,071	3.67%	3.85%	<5%
Rates and Annual Charges Collectable	220,136			
6. Cash Expense Cover Ratio				
Current period's cash and cash equivalents + term deposits	194,969	7.53 months	8.59 months	>3 months
Payments from cash flow of operating and financing activities	25,909			

Note:

¹ Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures and associates

² Excludes impairment/revaluation decrements, net loss on sales of assets, and net loss on share of interests in joint ventures and associates



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Northern Beaches Council

To the Councillors of the Northern Beaches Council

Opinion

I have audited the accompanying financial statements of Northern Beaches Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

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 presented, 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 2019, 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' (APES 110).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not 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 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2019
SYDNEY



Mayor
Northern Beaches Council
PO BOX 82
MANLY NSW 1655

25 September 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
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 2019 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 2019 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

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	211.1	211.7	0.3
Grants and contributions revenue	33.6	68.1	50.7
Operating result for the year	28.0	78.5	64.3
Net operating result before capital grants and contributions	9.9	24.9	60.2

Rates and annual charges revenue (\$211.1 million) decreased by \$0.6 million (0.3 per cent) in 2018–19. This was mainly due to reduction in domestic waste annual charges for former Manly and Pittwater areas offset by rate peg increases in ordinary rates.

Grants and contributions revenue (\$33.6 million) decreased by \$34.5 million (50.7 per cent) in 2018–19 due to 2017–18 included \$21.1million in Stronger Communities Fund.

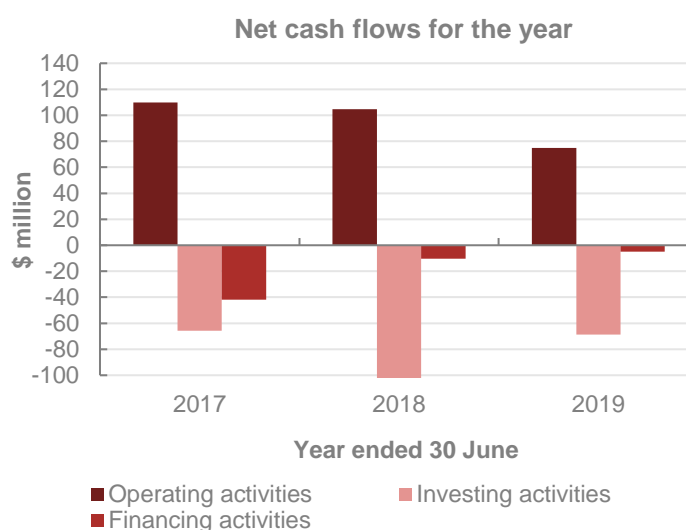
Council's operating result (\$28.0 million including the effect of depreciation and amortisation expense of \$39.6 million) was \$50.5 million lower than the 2017–18 result. This was due to \$35.5 million decrease in capital grants and general increases in other expenses and the reduction in the domestic waste annual charge. This year's result is more normalised compared to the first two years of the merged councils.

The net operating result before capital grants and contributions (\$9.9 million) was \$15.0 million lower than the 2017–18 result due to reasons described above.

STATEMENT OF CASH FLOWS

Cash balances have declined as grants received on merger are spent on new infrastructure.

Net cash used in investing and financing activities reduced in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	72.2	94.4	Externally restricted balances include Stronger Communities Fund, developer contributions and domestic waste management charges.
Internal restrictions	42.4	41.6	
Unrestricted	81.2	82.3	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	195.8	218.3	

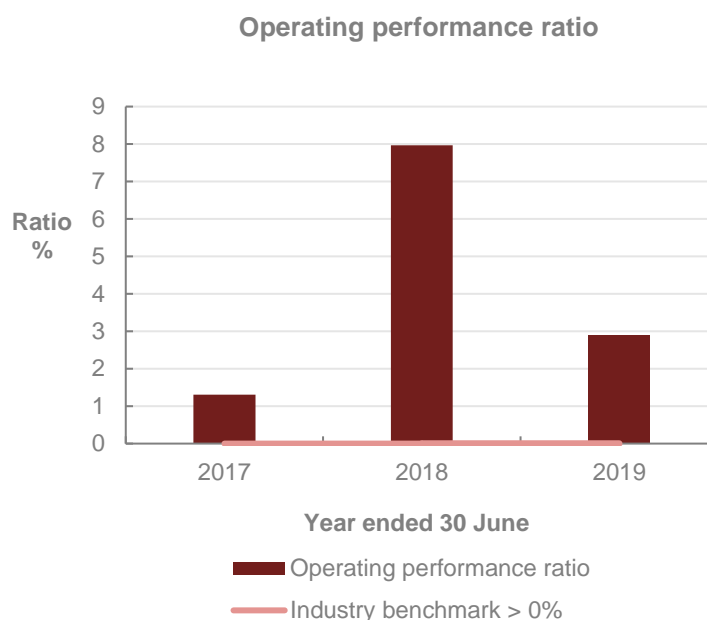
PERFORMANCE

The definition of each ratio analysed below are included in Note 25 (a) of the Council's audited general purpose financial statements.

Operating performance ratio

Council continues to exceed the benchmark. The decrease in the current year is mainly due to one off Stronger Community Fund grants in the 2017–18.

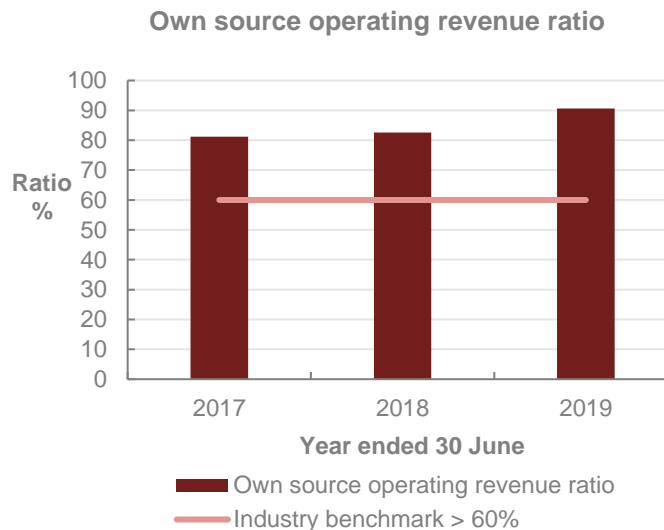
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council continues to exceed the benchmark and is not reliant on grants and contributions.

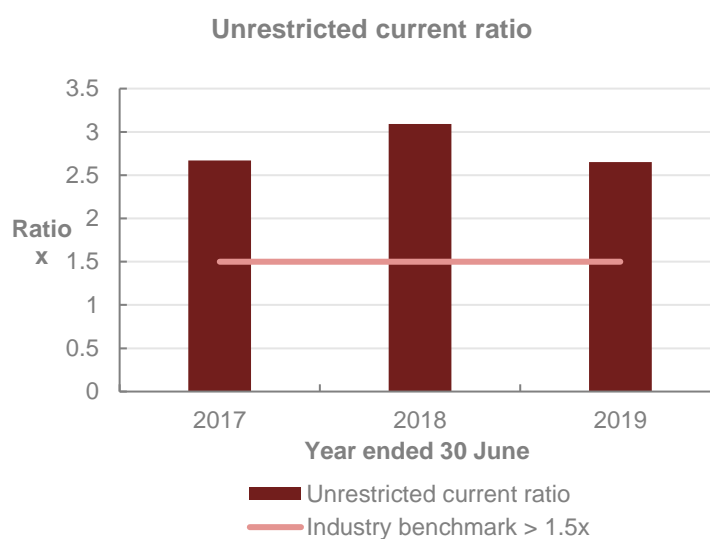
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. The decrease is mainly due to increased spending on infrastructure projects reducing cash and current investment balances.

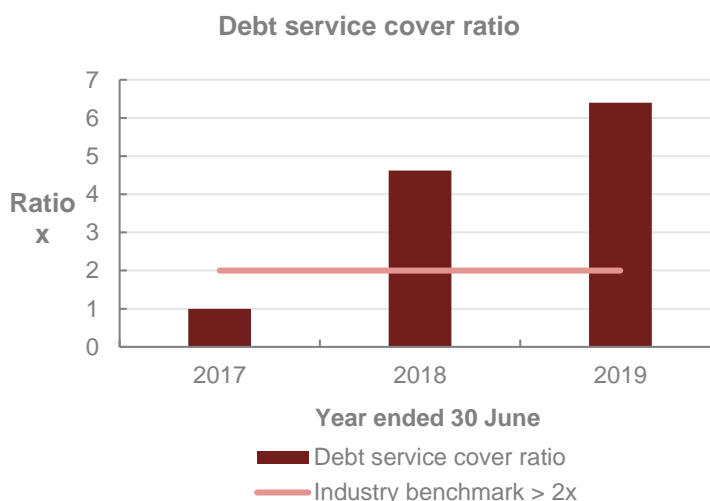
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council has consistently improved this ratio by repaying borrowings to reduce the outstanding balance, \$32.6 million at 30 June 2019 (\$37.6 million at 30 June 2018).

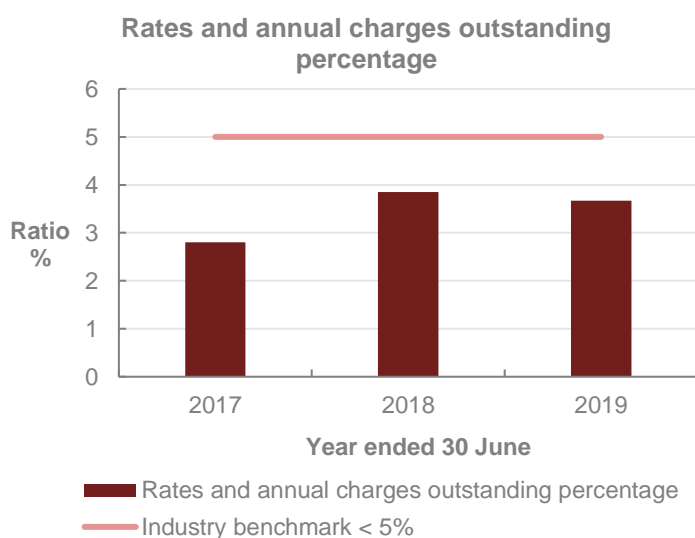
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Performance better than benchmark and remains relatively consistent with the prior year.

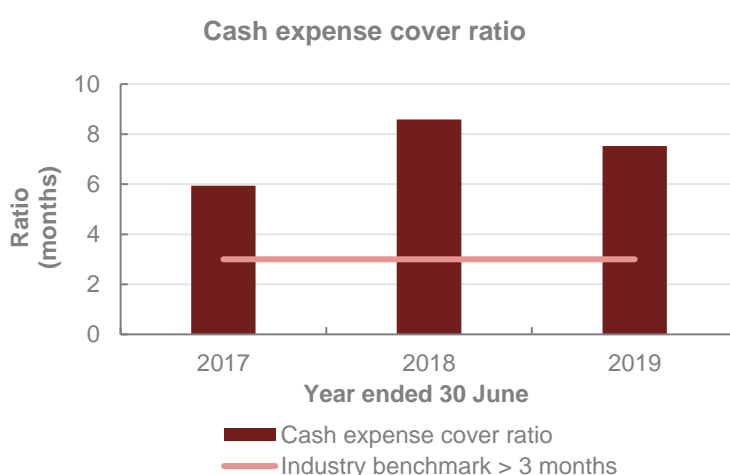
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council continues to exceed the benchmark despite increased spending on new infrastructure in the current year.

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



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$44.3 million in 2018–19 compared to \$58.3 million in the prior year, \$10.1 million relating to road renewals
- the unaudited infrastructure renewals ratio was 139.1 per cent compared to 99.8 per cent in the prior year (benchmark set by OLG is 100)
- during 2018–19, \$74.2 million was spent on new assets across most asset classes.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Northern Beaches Council

Special purpose financial statements
for the year ended 30 June 2019

Northern Beaches Council

Special purpose financial statements

for the year ended 30 June 2019

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Background

The Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market particularly between private and public sector competitors. Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

For Council, the principle of competitive neutrality and public reporting applies only to declared business activities. These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and (b) those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

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

Northern Beaches Council

Special purpose financial statements

for the year ended 30 June 2019

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

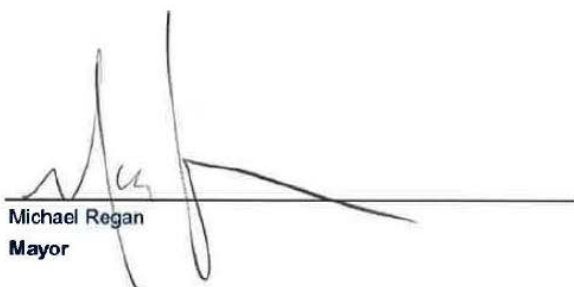
- the NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Division of Local Government Guidelines *"Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"*
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

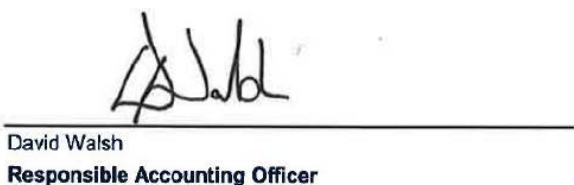
Signed in accordance with a resolution of Northern Beaches Council made on 24 September 2019.



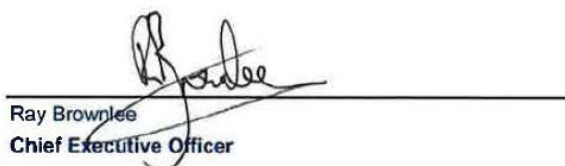
Michael Regan
Mayor



Sarah Grattan
Councillor



David Walsh
Responsible Accounting Officer



Ray Brownlee
Chief Executive Officer

Northern Beaches Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2019

	Children Services	Children Services	Kimbriki Environment Enterprises	Kimbriki Environment Enterprises
	Year Ended 30 June 2019	Year Ended 30 June 2018	Year Ended 30 June 2019	Year Ended 30 June 2018
	\$'000	\$'000	\$'000	\$'000
Income from continuing operations				
Access charges	12,198	11,832	-	-
User charges	-	-	-	-
Fees	-	-	31,685	31,978
Interest	-	-	415	146
Grants and contributions provided for non capital purposes ¹	1,160	662	-	-
Profit from the sale of assets	-	-	4	-
Other income	9	22	3,306	3,276
Total income from continuing operations	13,367	12,516	35,410	35,400
Expenses from continuing operations				
Employee benefits and on-costs	10,690	10,177	4,823	5,207
Borrowing costs	-	-	-	-
Materials and contracts	2,526	2,326	11,115	10,672
Depreciation, amortisation and impairment	124	111	1,672	1,268
Loss on sale of assets	-	-	-	47
Other expenses ²	1,192	1,297	14,358	13,944
Revaluation decrement of IPPE	91	1,150	-	-
Total expenses from continuing operations	14,623	15,061	31,968	31,138
Surplus (deficit) from continuing operations before capital amounts	(1,256)	(2,545)	3,442	4,262
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	(1,256)	(2,545)	3,442	4,262
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	(1,256)	(2,545)	3,442	4,262
Less: Corporate Taxation Equivalent (27.5%)* [based on result before capital]	-	-	(947)	(1,279)
Surplus/(deficit) after tax	(1,256)	(2,545)	2,495	2,983
Opening accumulated surplus	8,025	8,569	24,903	20,641
Adjustments for amounts unpaid	-	-	-	-
Add/Less: Allocation Adjustments Related to IPPE	863	717	-	-
Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables	(62)	-	-	-
Corporate taxation equivalent	-	-	947	1,279
Add:				
- Contribution to operations (excl asset reval & dep'n)	1,041	1,284	-	-
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid	-	-	-	-
Closing accumulated surplus	8,611	8,025	28,345	24,903
Return on Capital %	-14.2%	-31.0%	16.7%	24.0%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 1.38%	1,378	2,658	-	-

* 2017-18 Corporate Taxation Equivalent was 30%

¹ 2018-19 includes an early payment of \$235k for the 2019-20 preschool funding contribution

² 2017-18 has been restated to include corporate overheads for Children Services (\$932k)

Northern Beaches Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2019

	Glen Street Theatre Year Ended 30 June 2019 \$'000	Glen Street Theatre Year Ended 30 June 2018 \$'000	Certification Year Ended 30 June 2019 \$'000	Certification Year Ended 30 June 2018 \$'000
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	1,511	1,277	1,149	1,072
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	492	367	112	308
Total income from continuing operations	2,003	1,644	1,261	1,380
Expenses from continuing operations				
Employee benefits and on-costs	1,029	1,219	1,878	1,458
Borrowing costs	-	-	-	-
Materials and contracts	979	791	331	83
Depreciation, amortisation and impairment	86	96	-	-
Loss on sale of assets	-	-	-	-
Other expenses ¹	378	375	382	404
Revaluation decrement of IPPE	-	1,752	-	-
Total expenses from continuing operations	2,472	4,233	2,591	1,945
Surplus/(deficit) from continuing operations before capital amounts	(469)	(2,589)	(1,330)	(565)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus/(deficit) from continuing operations after capital amounts	(469)	(2,589)	(1,330)	(565)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	(469)	(2,589)	(1,330)	(565)
Less: Corporate Taxation Equivalent (27.5%)* [based on result before capital]	-	-	-	-
Surplus/(deficit) after tax	(469)	(2,589)	(1,330)	(565)
Opening accumulated surplus	7,790	9,605	-	-
Adjustments for amounts unpaid				
Add/Less: Allocation Adjustments Related to IPPE	43	33	-	-
Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables	(141)	-	-	-
Corporate taxation equivalent	-	-	-	-
Add:				
- Contribution to operations (excl asset reval & dep'n)	383	741	1,330	565
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid (excl asset reval & dep'n)	-	-	-	-
Closing accumulated surplus	7,606	7,790	-	-
Return on Capital %	-5.6%	-30.7%	n/a	n/a
Subsidy from Council - If surplus is less than rate of return on IPPE @ 1.38%	585	2,705	n/a	n/a

* 2017-18 Corporate Taxation Equivalent was 30%

¹ 2017-18 has been restated to include corporate overheads for Glen Street (\$133k) and Certification (\$104k)

Northern Beaches Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2019

	Aquatic Centres	Aquatic Centres	Parking Stations	Parking Stations
	Year Ended	Year Ended	Year Ended	Year Ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	\$'000	\$'000	\$'000	\$'000
Income from continuing operations				
Access charges	7,157	6,668	-	-
User charges	-	-	4,868	4,121
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	1	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	436	445	-	-
Total income from continuing operations	7,594	7,113	4,868	4,121
Expenses from continuing operations				
Employee benefits and on-costs	5,505	4,785	529	534
Borrowing costs ¹	438	521	197	-
Materials and contracts	1,355	1,332	472	655
Depreciation, amortisation and impairment	1,516	617	371	139
Loss on sale of assets	-	-	-	-
Other expenses ²	2,009	1,763	802	896
Revaluation decrement of IPPE	1,247	-	-	-
Total expenses from continuing operations	12,070	9,018	2,371	2,224
Surplus (deficit) from continuing operations before capital amounts	(4,476)	(1,905)	2,497	1,897
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	(4,476)	(1,905)	2,497	1,897
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	(4,476)	(1,905)	2,497	1,897
Less: Corporate Taxation Equivalent (27.5%)* [based on result before capital]	-	-	(687)	(569)
Surplus/(deficit) after tax	(4,476)	(1,905)	1,810	1,328
Opening accumulated surplus	38,910	37,661	6,317	5,656
Adjustments for amounts unpaid	-	-	-	-
Add/Less: Allocation Adjustments Related to IPPE	298	366	886	230
Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables	1,478	1,500	589	570
Corporate taxation equivalent	-	-	687	569
Add:				
- Contribution to operations (excl asset reval & dep'n)	1,713	1,288	-	-
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid (excl asset reval & dep'n)	-	-	(2,868)	(2,036)
Closing accumulated surplus	37,923	38,910	7,421	6,317
Return on Capital %	-9.2%	-4.4%	7.3%	6.1%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 1.38%	5,647	3,193	-	-

* 2017-18 Corporate Taxation Equivalent was 30%

¹ 2017-18 has been restated to include borrowing costs for the Manly Andrew Boy Charlton Aquatic Centre (\$521k)

² 2017-18 has been restated to include corporate overheads for Aquatic Centres (\$448k) and Parking Stations (\$244k)

Northern Beaches Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2019

	Sydney Lakeside Caravan Park	Sydney Lakeside Caravan Park
	Year Ended 30 June 2019	Year Ended 30 June 2018
	\$'000	\$'000
Income from continuing operations		
Access charges	-	-
User charges	5,728	5,821
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	1,121	993
Total income from continuing operations	6,849	6,814
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	114	135
Materials and contracts	962	851
Depreciation, amortisation and impairment	141	181
Loss on sale of assets	-	-
Other expenses	2,037	2,020
Revaluation decrement of IPPE	-	4,372
Total expenses from continuing operations	3,254	7,559
Surplus (deficit) from continuing operations before capital amounts	3,595	(745)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	3,595	(745)
Surplus (deficit) from discontinued operations	-	-
Surplus/(deficit) from all operations before tax	3,595	(745)
Less: Corporate Taxation Equivalent (27.5%)* [based on result before capital]	(989)	-
Surplus/(deficit) after tax	2,606	(745)
Opening accumulated surplus	15,594	19,471
Adjustments for amounts unpaid	-	-
Add/Less: Allocation Adjustments Related to IPPE	311	74
Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Payables and Receivables	254	602
Corporate taxation equivalent	989	-
Add:		
- Contribution to operations (excl asset reval & dep'n)		
Less:		
- TER dividend paid	-	-
- Surplus dividend paid (excl asset reval & dep'n)	(3,736)	(3,808)
Closing accumulated surplus	16,018	15,594
Return on Capital %	18.9%	-4.8%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 1.38%	-	1,132

Northern Beaches Council

Statement of Financial Position of Council's Other Business Activities

as at 30 June 2019

	Actual 2019 Children Services Category 1 \$'000	Actual 2018 Children Services Category 1 \$'000	Actual 2019 Kimbriki Environment Enterprises Category 1 \$'000	Actual 2018 Kimbriki Environment Enterprises Category 1 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	2,246	2,633
Investments	-	-	18,297	14,366
Receivables ¹	152	145	1,725	2,263
Inventories	-	-	2	2
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	152	145	22,271	19,264
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,861	8,213	20,660	17,726
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	8,861	8,213	20,660	17,726
Total Assets	9,013	8,358	42,931	36,990
LIABILITIES				
Current Liabilities				
Payables ¹	402	333	4,830	4,307
Income received in advance	-	-	-	-
Borrowings	-	-	-	-
Provisions	-	-	1,032	1,123
Total Current Liabilities	402	333	5,861	5,430
Non-Current Liabilities				
Payables	-	-	8,615	6,552
Borrowings	-	-	-	-
Provisions	-	-	111	105
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	8,725	6,657
Total Liabilities	402	333	14,586	12,087
Net Assets	8,611	8,025	28,345	24,903
EQUITY				
Accumulated surplus ¹	8,611	8,025	28,345	24,903
IPP&E revaluation surplus	-	-	-	-
Council equity interest	8,611	8,025	28,345	24,903
Minority equity interest	-	-	-	-
Total Equity	8,611	8,025	28,345	24,903

¹ 2017-18 has been restated to include receivables (\$145k) and payables (\$333k) for Children's Services

Northern Beaches Council

Statement of Financial Position of Council's Other Business Activities

as at 30 June 2019

	Actual 2019 Glen Street Theatre Category 1 \$'000	Actual 2018 Glen Street Theatre Category 1 \$'000	Actual 2019 Certification Category 2 \$'000	Actual 2018 Certification Category 2 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories ¹	10	10	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	10	10	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,379	8,422	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	8,379	8,422	-	-
Total Assets	8,389	8,432	-	-
LIABILITIES				
Current Liabilities				
Payables ¹	1	1	-	-
Income received in advance ¹	782	641	-	-
Borrowings	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	783	642	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	783	642	-	-
Net Assets	7,606	7,790	-	-
EQUITY				
Accumulated surplus ¹	7,606	7,790	-	-
IPP&E revaluation surplus	-	-	-	-
Council equity interest	7,606	7,790	-	-
Minority equity interest	-	-	-	-
Total Equity	7,606	7,790	-	-

¹ 2017-18 has been restated to include inventory (\$10k), payables (\$1k), income received in advance (\$641k) for Glen Street

Northern Beaches Council

Statement of Financial Position of Council's Other Business Activities

as at 30 June 2019

	Actual 2019	Actual 2018	Actual 2019	Actual 2018
	Aquatic Centres	Aquatic Centres	Parking Stations	Parking Stations
	Category 1	Category 1	Category 1	Category 1
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables ¹	5	51	-	-
Inventories ¹	41	17	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	46	68	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	53,139	55,604	31,643	31,128
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	53,139	55,604	31,643	31,128
Total Assets	53,185	55,672	31,643	31,128
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Income received in advance ¹	73	64	-	-
Borrowings ²	1,500	1,500	610	589
Provisions	-	-	-	-
Total Current Liabilities	1,573	1,564	610	589
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings ²	5,250	6,750	4,187	4,797
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	5,250	6,750	4,187	4,797
Total Liabilities	6,823	8,314	4,797	5,386
Net Assets	46,362	47,358	26,846	25,742
EQUITY				
Accumulated surplus ^{1,2}	37,923	38,846	7,421	6,317
IPP&E revaluation surplus	8,512	8,512	19,425	19,425
Council equity interest	46,435	47,358	26,846	25,742
Minority equity interest	-	-	-	-
Total Equity	46,435	47,358	26,846	25,742

¹ 2017-18 has been restated to include receivables (\$51k), inventory (\$17k) and income received in advance (\$64k) for Aquatic Centres

² 2017-18 has been restated for borrowings for Aquatic Centres (Manly Andrew Boy Charlton Aquatic Centre - current \$1,500 and non-current \$6,750) and for Parking Stations (Church Point Parking Station - current \$610k and non-current \$4,187)

Northern Beaches Council

Statement of Financial Position of Council's Other Business Activities

as at 30 June 2019

	Actual 2019 Sydney Lakeside Caravan Park Category 1 \$'000	Actual 2018 Sydney Lakeside Caravan Park Category 1 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	18,408	18,238
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	18,408	18,238
Total Assets	18,408	18,238
LIABILITIES		
Current Liabilities		
Payables	247	117
Income received in advance ¹	377	363
Borrowings	420	398
Provisions	-	-
Total Current Liabilities	1,044	878
Non-Current Liabilities		
Payables	-	-
Borrowings	1,346	1,766
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	1,346	1,766
Total Liabilities	2,390	2,644
Net Assets	16,018	15,594
EQUITY		
Accumulated surplus	16,018	15,594
IPP&E revaluation surplus	-	-
Council equity interest	16,018	15,594
Minority equity interest	-	-
Total Equity	16,018	15,594

¹ 2017-18 has been restated to include income received in advance (\$363k) for Sydney Lakeside Caravan Park

Northern Beaches Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1 Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy reporting purposes follows:

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

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

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

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

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

National Competition Policy

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

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

Declared Business Activities

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

Category 1

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

Children's Services - Child Care, Pre-school and Long Day Care

Kimbriki Environmental Enterprises Pty Limited - Waste landfill and resource recovery management

Glen Street Theatre - Council's local theatre

Parking Stations - Whistler Street, Manly National, Manly Pacific, Peninsula Parking Station, PCYC in Dee Why, Church Point

Aquatic Centres - Manly Andrew "Boy" Charlton Swim Centre and Warringah Aquatic Centre

Sydney Lakeside Caravan Park - Permanent and short stay caravan park accommodation

Category 2

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

Certification - Construction Certificate Certification activity of the Urban Development Approval Service (part of Council's Local Approval Service Unit)

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

Northern Beaches Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1 Significant accounting policies (continued)

(i) Taxation Equivalent Charges

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

Corporate Income Tax Rate – 27.5%

Land Tax – The first \$629,000 of combined land values attracts 0%. From \$629,001 to \$3,846,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,846,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

Income Tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income Tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 27.5% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and the Council's borrowing rate for its business activities. There is currently no difference in the borrowing rates.

(ii) Subsidies

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

(iii) Return on Investments (Rate of Return)

The NCP policy statement requires that Councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

(iv) Dividends

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

(v) Change in Accounting Policy

Council has amended its approach to accounting for business activities to include corporate overheads, borrowing costs and borrowings, receivables, inventory, payables and income received in advance for all business activities. Previously these items were not considered to be owned by the business activity. The impact of this change is noted within the footnotes of each statement.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Northern Beaches Council

To the Councillors of the Northern Beaches Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Northern Beaches Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Children Services
- Kimbriki Environment Enterprises
- Glen Street Theatre
- Certification
- Aquatic Centres
- Parking Stations
- Sydney Lakeside Caravan Park.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2019
SYDNEY

Northern Beaches Council

Special Schedules
for the year ended 30 June 2019

Northern Beaches Council

Special Schedules

for the year ended 30 June 2019

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¹ Special Schedule is not audited

Northern Beaches Council

Special Schedules

for the year ended 30 June 2019

Permissible income for general rates

		2019/20				2018/19			
		Former Manly Council \$'000	Former Pittwater Council \$'000	Former Warringah Council \$'000	Northern Beaches Council \$'000	Former Manly Council \$'000	Former Pittwater Council \$'000	Former Warringah Council \$'000	Northern Beaches Council \$'000
Notional general income calculation ⁽¹⁾									
Last year notional income yield		30,088	41,983	91,476	163,547	29,441	40,987	89,067	159,495
Plus/minus adjustments ⁽²⁾		(64)	20	31	(13)	(29)	62	353	386
Notional general income		30,024	42,003	91,507	163,534	29,412	41,049	89,420	159,881
Permissible income calculation									
Special variation ⁽³⁾	%	-	-	-		-	-	-	
OR Rate peg	%	2.7%	2.7%	2.7%		2.3%	2.3%	2.3%	
OR Crown land adjustment incl. rate peg	%	-	-	-		-	-	-	
Less expiring special variations amount		-	-	-	-	-	-	-	-
Plus special variation amount		-	-	-	-	-	-	-	-
OR plus rate peg amount		811	1,134	2,470	4,415	676	944	2,057	3,677
OR plus crown land adjustment and rate peg amount		-	-	-	-	-	-	-	-
Sub-total		30,835	43,137	93,977	167,949	30,088	41,993	91,477	163,558
Plus or minus last year's carry forward total		1	(14)	16	3	1	2	-	3
Less valuation objections claimed in previous year		-	(10)	(15)	(25)	-	(36)	-	(36)
Sub-total		1	(24)	1	(22)	1	(34)	-	(33)
Total permissible income		30,836	43,113	93,978	167,927	30,089	41,959	91,477	163,525
Less notional income yield		30,835	43,103	93,962	167,900	30,088	41,983	91,476	163,547
Catch up or (excess) result		1	10	16	27	1	(24)	1	(22)
Plus income lost due to valuation objections claimed ⁽⁴⁾		-	-	-	-	-	10	15	25
Less unused catch up ⁽⁵⁾		1	-	-	1	-	-	-	-
Carry forward to next year ⁽⁶⁾		-	10	16	26	1	(14)	16	3

Northern Beaches Council

Special Schedules

for the year ended 30 June 2019

Permissible income for general rates (continued)

Notes

¹ The 'notional general income' will not reconcile with rate income in the financial statements in the corresponding year. The statements exclude intra-entity transactions and are reported on an accrual accounting basis, which includes 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 Unused catch-up amounts will be deducted if they are not caught up within two years. Usually, councils will have a nominal carry-forward figure. These amounts can be adjusted for when setting the rates in a future year.

⁶ Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Act.

Northern Beaches Council

Special Schedules

for the year ended 30 June 2019

Report on infrastructure assets

Asset Class	Asset Category	Estimated cost to bring assets to a satisfactory standard	Estimated cost to bring assets to the agreed level of service set by Council ¹	2018/19 Required annual maintenance	2018/19 Actual maintenance	Net carrying amount	Gross Replacement Cost (GRC)	Asset condition as % of gross replacement cost				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	1	2	3	4	5
Buildings		6,660	6,660	7,571	9,632	472,793	639,613	42.5%	46.4%	9.9%	1.1%	0.0%
		6,660	6,660	7,571	9,632	472,793	639,613	42.5%	46.4%	9.9%	1.1%	0.0%
Roads	Roads - Sealed	10,084	10,084	6,884	9,658	474,010	524,382	47.8%	36.4%	12.4%	3.1%	0.3%
	Roads - Unsealed	6	6	116	28	1,491	1,732	20.7%	66.8%	6.9%	5.7%	0.0%
	Bridges	-	-	65	7	9,090	12,451	19.7%	79.6%	0.7%	0.0%	0.0%
	Footpaths	696	696	1,709	2,183	91,998	104,264	28.3%	52.9%	17.6%	1.1%	0.1%
	Other Road Assets	3,463	3,463	2,591	2,843	204,709	243,485	4.7%	66.3%	26.4%	2.1%	0.5%
		14,249	14,249	11,365	14,719	781,298	886,314	33.3%	47.2%	16.7%	2.5%	0.3%
Other Infrastructure		2,788	2,788	5,013	4,899	170,815	202,062	13.3%	61.9%	22.6%	1.9%	0.3%
		2,788	2,788	5,013	4,899	170,815	202,062	13.3%	61.9%	22.6%	1.9%	0.3%
Stormwater Drainage		6,450	6,450	3,293	2,846	800,100	949,913	6.3%	67.6%	22.1%	3.3%	0.7%
		6,450	6,450	3,293	2,846	800,100	949,913	6.3%	67.6%	22.1%	3.3%	0.7%
Open Space/Recreational Assets	Swimming Pools	275	275	1,954	1,449	22,849	27,242	27.2%	32.9%	37.8%	1.9%	0.0%
	Other	652	652	4,489	5,345	111,599	124,625	29.8%	57.2%	12.0%	0.7%	0.2%
		927	927	6,443	6,794	134,448	151,867	29.3%	52.8%	16.6%	0.9%	0.1%
Total Classes	Total - All Assets	31,074	31,074	33,685	38,890	2,359,454	2,829,769	24.6%	55.3%	17.4%	2.3%	0.4%

Infrastructure Asset Condition Assessment

Level	Condition	Description
1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

¹ Estimated cost to bring assets to the agreed level of service set by Council represents the sum of outstanding renewal works, valued as the work will be undertaken. Council will make future budgeting decisions in relation to these outstanding works with those decisions likely to be priorities in Council's forward plans based on social, economic, and environmental factors, including risk to the community. As the agreed service levels are yet to be determined in consultation with the community, the estimated cost to bring to a satisfactory standard has been used. 'Satisfactory' standard is defined within the technical ratings outlined in the Asset Management Plans for each asset class.

Northern Beaches Council

Special Schedules

for the year ended 30 June 2019

Report on infrastructure assets

Infrastructure asset performance indicators – consolidated

	2019 \$'000	Current Year indicators	2018	Benchmark
1. Building and infrastructure renewals ratio				
Asset renewals (renewals only for Infrastructure Assets)	41,685	139.09%	99.79%	>100%
Depreciation, amortisation and impairment	29,969			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	31,074	1.32%	0.51%	<2%
Net carrying amount of infrastructure assets	2,359,454			
3. Asset maintenance ratio				
Actual asset maintenance	38,890	115.45%	116.98%	>100%
Required asset maintenance	33,685			
4. Cost to bring assets to agreed service level				
Estimated cost to bring to an agreed level of service set by Council	31,074	1.10%	0.44%	
Gross replacement cost	2,829,769			



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 2020.

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 – update number 27 (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' (APES 110).

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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.

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2019
SYDNEY