

Financial Statements

1 July 2021 to 30 June 2022



northern
beaches
council

Northern Beaches Council

Financial Commentary 2021/22

Introduction

The Financial Statements provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the *NSW Local Government Act 1993* and the NSW Local Government Code of Accounting Practice and Financial Reporting (January 2022).

The Financial Statements comprise:

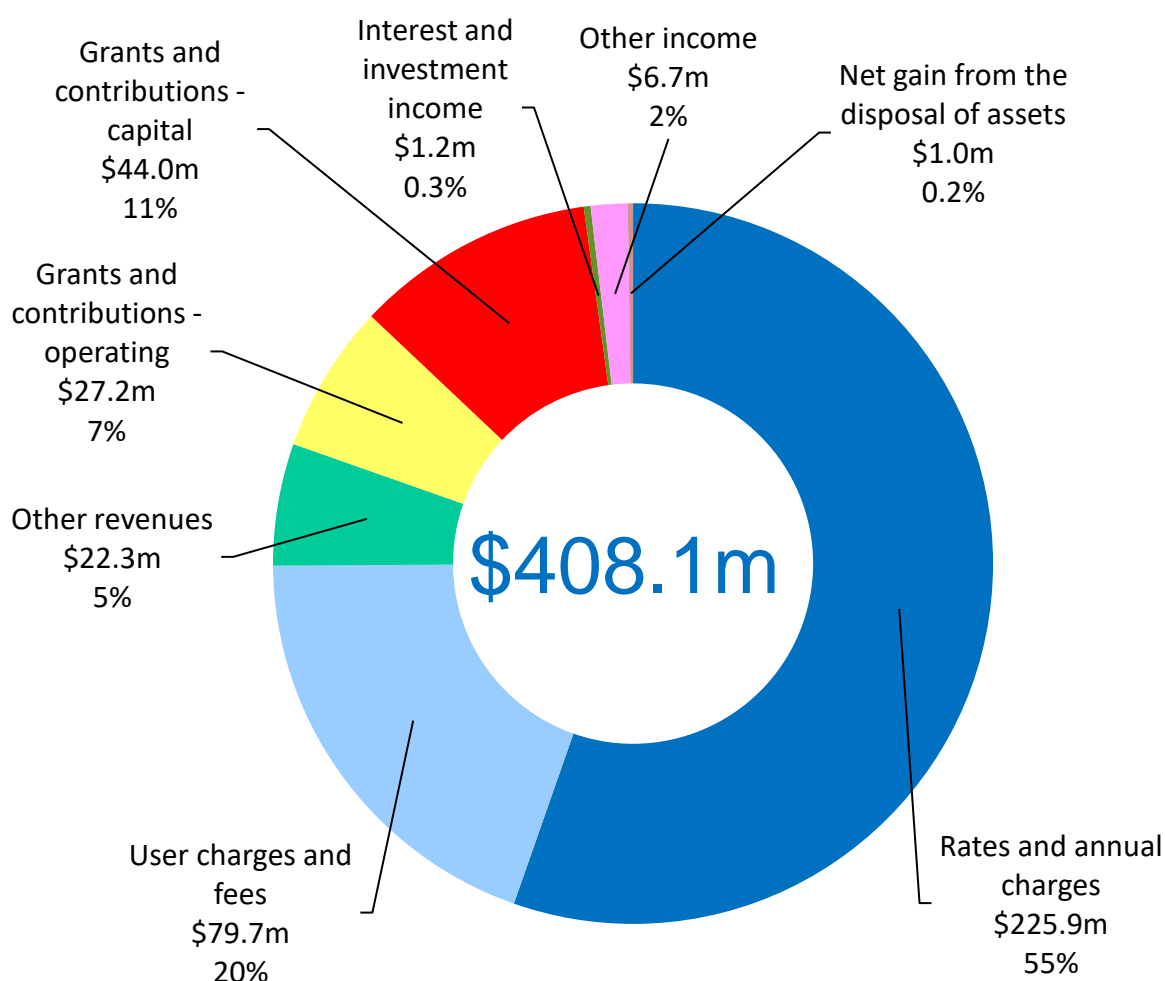
- General Purpose Financial Statements
- Special Schedules

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

Summary results

Income Statement	2022	2021	2020	2019
Income	\$408.1m	\$365.8m	\$366.0m	\$358.9m
Operating expenses	\$346.4m	\$365.7m	\$347.3m	\$330.9m
Net operating result for the year	\$61.6m	\$0.1m	\$18.6m	\$28.0m
Result excl capital grants & contributions	\$17.7m	(\$26.5m)	(\$16.5m)	\$9.9m
Capital expenditure	2022	2021	2020	2019
New capital works	\$44.2m	\$33.8m	\$36.8m	\$35.4m
Capital renewal works	\$32.7m	\$39.3m	\$46.8m	\$62.7m
Non-cash asset dedications	\$0.0m	\$0.8m	\$13.6m	\$4.5m
Total capital expenditure	\$76.9m	\$73.9m	\$97.2m	\$102.5m
Financial Position	2022	2021	2020	2019
Total assets	\$5,421.0m	\$5,245.2m	\$5,262.7m	\$5,201.4m
Total liabilities	\$184.5m	\$198.6m	\$177.1m	\$155.2m
Net assets	\$5,236.5m	\$5,046.6m	\$5,085.5m	\$5,046.2m
Performance indicators	2022	2021	2020	2019
Operating performance	4.5%	(7.3%)	(4.9%)	2.9%
Unrestricted current ratio	1.9x	1.7x	2.1x	2.6x
Building and infrastructure renewals	112.7%	117.2%	121.3%	139.1%

Northern Beaches Council

Income from continuing operations

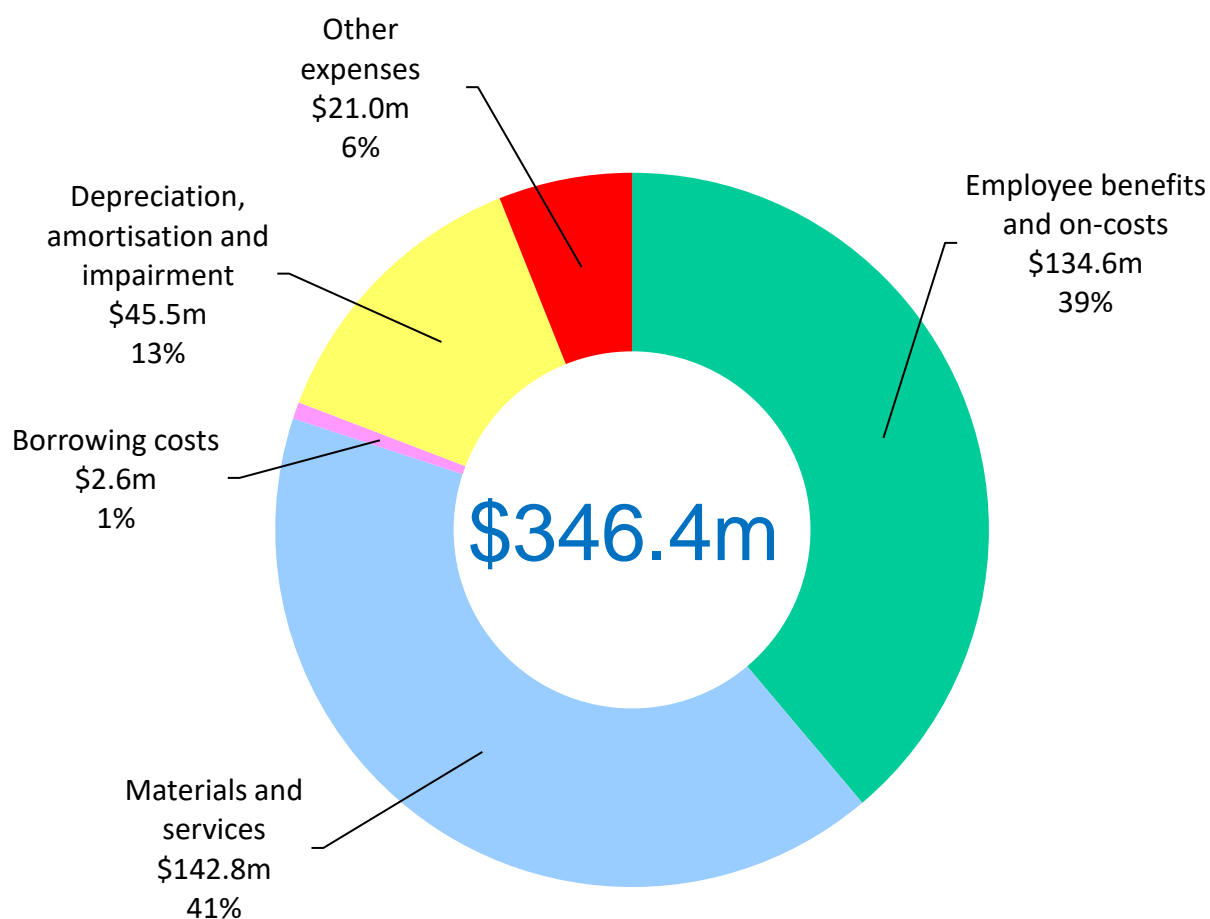
Income Items	1 July 2021 - 30 June 2022 (\$'000)
Rates and annual charges	225,941
User charges and fees	79,722
Other revenues	22,343
Grants and contributions - operating	27,165
Grants and contributions - capital	43,952
Interest and investment income	1,238
Other income	6,736
Net gain from the disposal of assets	960
Total Income from Continuing Operations	408,057

Northern Beaches Council

Income from continuing operations analysis

30-Jun-22 \$'000	30-Jun-21 \$'000	Incr/(Decr) \$'000 %		Details
225,941	218,169	7,772	3.6%	Rates and annual charges
Rates were \$175.4m, a 2.3% (\$4.0m) increase on 2021 primarily due to the rate peg increase of 2.0%. Annual charges are predominantly represented by domestic waste charges of \$49.0m which increased by 5.7% (\$2.7m) due to a 4.5% increase in the charge (prior year included a subsidy) along with growth in the number of services. The income was offset by the (\$0.8m) net cost of pensioner rebates on waste charges. The stormwater charge was extended across the Northern Beaches following the rates harmonisation process, resulting in a \$1.3m increase in this income to a total of \$2.2m. s611 charges were \$0.2m.				
79,722	79,105	617	0.8%	User charges and fees
User charges and fees include Kimbriki Waste & Recycling Centre fees \$25.4m, child care \$11.9m, parking fees \$10.3m, planning fees \$8.1m, aquatic centres \$5.6m, and \$4.9m from Lakeside Holiday Park. COVID-19 continued to impact income as a result of closed services and less demand for others. Fees were lower than the prior year for the aquatic centres (\$1.8m) and parking (\$1.1m). Kimbriki's fees were \$1.3m higher mainly due to the temporary closure of other transfer stations in the Sydney metro area. Income was also higher for Lakeside Holiday Park \$0.8m and restoration services \$0.6m.				
22,343	14,994	7,349	49.0%	Other revenues
Other revenues includes parking fines \$5.7m (\$1.3m higher than 2021 due to COVID), sale of recycled material at Kimbriki \$4.0m (\$1.1m higher due to high recovery rates and high metal prices) and income from licences, consents and deeds \$3.2m. Other revenues included a confidential insurance settlement in 2022.				
27,165	19,460	7,705	39.6%	Grants and contributions - operating
Significant items in 2022 included:				
<ul style="list-style-type: none"> - \$10.8m Financial Assistance Grant (75% early pymt) - \$2.4m Children's services funding - \$2.5m Community services funding (incl SCF) - \$2.1m Natural disaster assistance (Feb-Apr 2022) - \$1.6m Emergency Services Levy contribution 		<ul style="list-style-type: none"> - \$1.1m RFS Local Government Program funding - \$0.8m Library Subsidy and Local Priority grant - \$0.9m Play Manly revitalisation grant - \$0.8m Transport for NSW Street Lighting grant 		
43,952	26,544	17,408	65.6%	Grants and contributions - capital
Significant items in 2022 include:				
<ul style="list-style-type: none"> - \$14.9m Developer cash contributions (\$7.6m in 2021). - \$18.5m Transport and Traffic works including funds for road resheeting, Safer Schools infrastructure, the Narrabeen Lagoon Pedestrian and Cycle Bridge and footpath works. - \$8.1m Parks and Recreation works including funds for Mona Vale and Long Reef Surf Clubs. 				
1,238	1,363	(125)	(9.2%)	Interest and investment income
Interest and investment income was \$0.3m lower than the previous financial year as a result of continued low interest rates. Council's investment portfolio achieved a return of 0.525% which was 0.425% above the benchmark AusBond Bank Bill Index return of 0.10%. Interest income from outstanding rates and annual charges was \$0.2m higher than the previous year (2021 included an interest free period of 6 months).				
6,736	6,154	582	9.5%	Other income
Income from investment and leased properties was \$6.4m (\$6.1m in 2021). Investment properties were revalued in 2022, resulting in a fair value adjustment of \$0.3m.				
960	-	960	n/a	Net gain from the disposal of assets
The 2022 net gain comprises a loss on the replacement of infrastructure assets (\$1.8m), gain on the disposal of plant and equipment \$1.5m and a gain on the disposal of property \$1.2m. The property disposal relates to the compulsory acquisition of land in Mona Vale by Transport for NSW. The 2021 result was a net loss (reported under Expenses).				
408,057	365,789	42,268	11.6%	TOTAL INCOME

Northern Beaches Council

Expenses from continuing operations

Expense Items	1 July 2021 - 30 June 2022 (\$'000)
Employee benefits and on-costs	134,560
Materials and services	142,766
Borrowing costs	2,624
Depreciation, amortisation and impairment	45,508
Other expenses	20,969
Net loss from the disposal of assets	-
Total Expenses from Continuing Operations	346,427

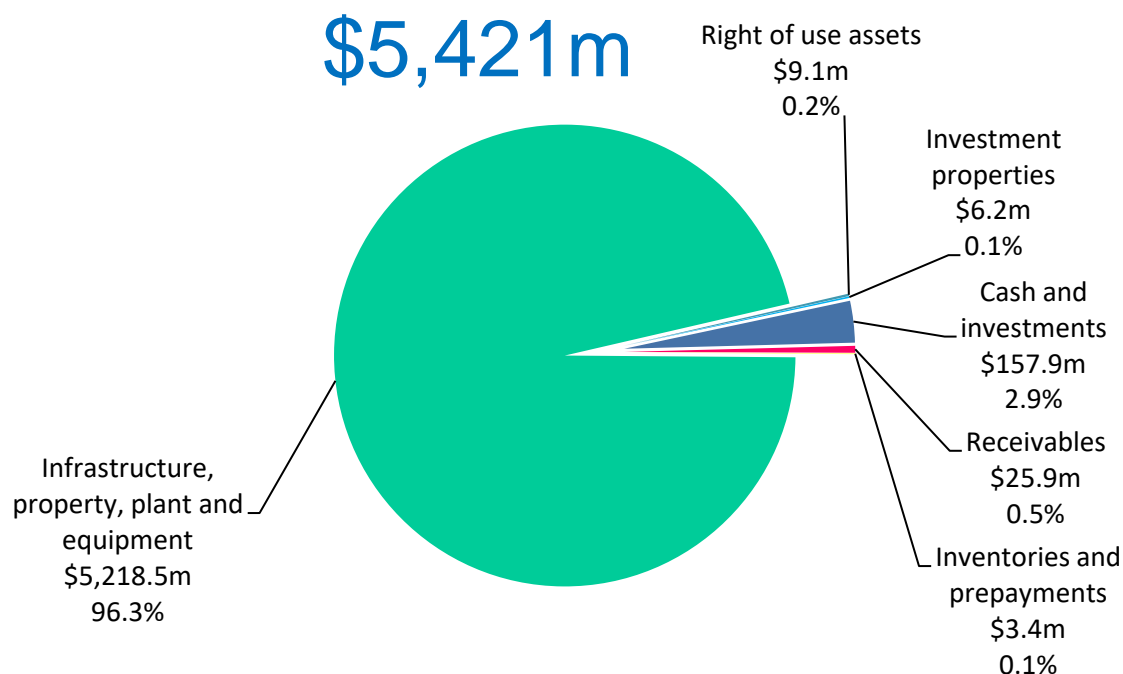
Northern Beaches Council

Expenses from continuing operations analysis

30-Jun-22	30-Jun-21	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
134,560	139,118	(4,558)	(3.3%)	Employee benefits and on-costs
Employee Benefits and On-Costs were \$134.6m, representing 38.8% of operating expenses. The \$4.6m decrease on the prior year (-3.3%) was primarily due to the impact of remeasuring the provisions for employee leave entitlements and workers compensation. Excluding these expense items, employee costs increased by \$1m (0.8%). The Local Government Award increase was 2.0% and the Super Guarantee increased from 9.5% to 10% in 2022. This was partially offset by higher levels of vacant positions.				
142,766	150,209	(7,443)	(5.0%)	Materials and services
Materials and services included \$17.1m in waste collection costs, \$16.6m in expenses at the Kimbriki Waste & Recycling Centre and \$12.4m in waste disposal and processing costs.				
Variances compared to the prior year included:				
<ul style="list-style-type: none"> - Legal - (\$8.5m) ▼ primarily due to settlement of the Whistler St car park matter in 2021 - Waste disposal - (\$3.5m) ▼ - primarily due to KPI abatement discounts received in 2022 - IT and communications - (\$2.3m) ▼ - as the prior year included costs for a new HR and payroll system - Tree works - \$2.1m ▲ due to storm clean up costs - External Roadwork - \$1.9m ▲ due to storm and flooding clean up and repairs - Election - \$1.4m ▲ for the Local Government election in December 2021 				
2,624	2,605	19	0.7%	Borrowing costs
Borrowing costs consist of interest on loans of \$0.8m, \$0.3m interest on leases, and the unwinding of the discount for the asset remediation liability for the Kimbriki waste landfill \$1.5m.				
45,508	47,406	(1,898)	(4.0%)	Depreciation, amortisation and impairment
Decreased depreciation was largely due to a one off adjustment in 2021 following an International Financial Reporting Standards Interpretations Committee (IFRIC) decision regarding 'software as a service'.				
20,969	24,781	(3,812)	(15.4%)	Other expenses
Major items within other expenses include the \$8.5m Waste Levy (\$0.5m ▲), \$6.4m Emergency Services Levy (\$1.0m ▼) and \$4.8m in donations, contributions and assistance to other organisations (\$3.3m ▼). While community and business COVID support continued in 2022, the 2021 year also included a rates notice subsidy of \$4.4m.				
-	1,579	(1,579)	(100.0%)	Net loss from the disposal of assets
The net loss in 2021 included a loss on the replacement of infrastructure assets (\$3.0m), gain on disposal of plant and equipment \$1.4m and a gain on the disposal of property \$0.1m. Refer to the commentary under income above for the 2022 results.				
346,427	365,698	(19,271)	(5.3%)	TOTAL EXPENSES

Northern Beaches Council

Assets



		30 June 2022
Asset Items		Actual (\$'000)
Current Assets		
Cash and cash equivalents		6,552
Investments		150,625
Receivables		24,936
Inventories		397
Prepayments		2,975
Total Current Assets		185,485
Non Current Assets		
Investments		760
Receivables		1,007
Infrastructure, property, plant and equipment		5,218,499
Investment properties		6,155
Right of use assets		9,110
Total Non Current Assets		5,235,531
TOTAL ASSETS		5,421,016

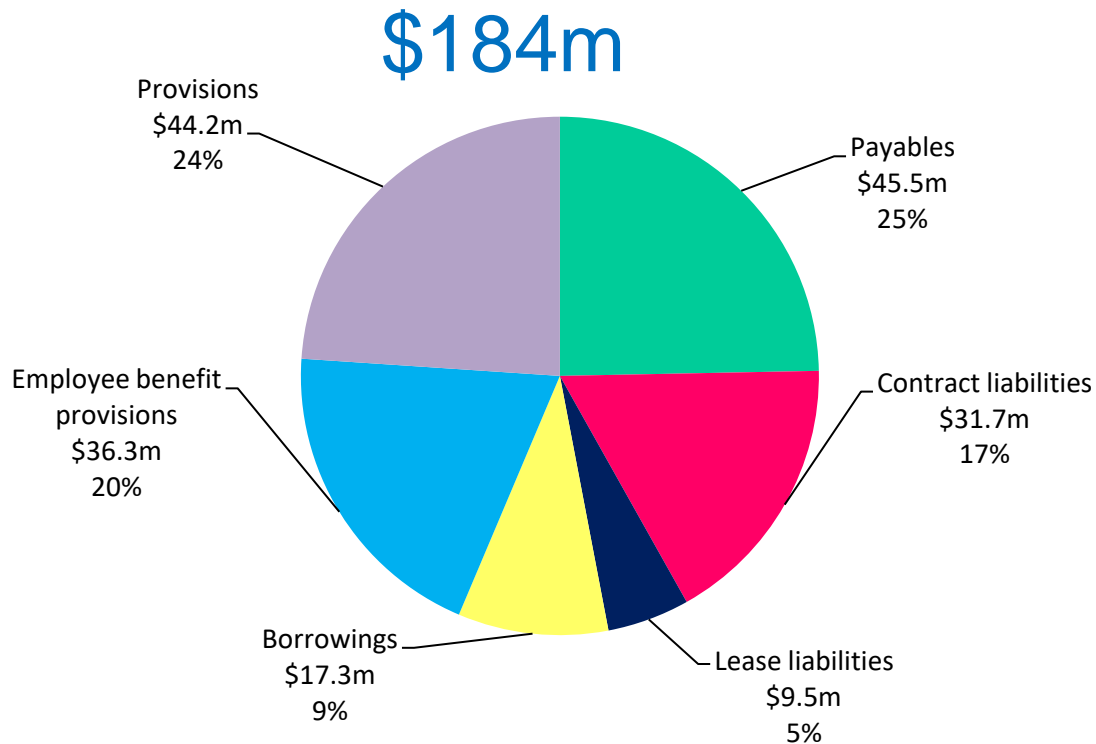
Northern Beaches Council

Assets analysis

30-Jun-22	30-Jun-21	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
157,937	147,238	10,699	7.3%	Cash, Cash Equivalents and Investments
Cash, Cash Equivalents and Investments increased \$10.7m principally due to the early receipt of a number of 2023 grants including the Financial Assistance Grant (\$2.2m) and Emergency Services Levy (\$1.6m), two large contributions to the Warriewood Development Contribution Plan (\$6.5m) and a confidential insurance settlement (refer to the Income Analysis).				
25,943	17,080	8,863	51.9%	Receivables
Receivables were \$8.9 million higher than the previous year primarily due to the timing of payments of government grants for funded project milestones.				
397	378	19	5.0%	Inventories
Inventories comprise stores, materials and trading stock and were consistent with the prior year.				
2,975	2,028	947	46.7%	Prepayments
Prepaid expenses were higher than the previous financial year primarily due to the timing of software licence renewals.				
5,218,499	5,062,151	156,348	3.1%	Infrastructure, property, plant and equipment
During the financial year a revaluation of operational land and infrastructure assets was undertaken, resulting in a \$128.4m increase in the carrying value of these assets. The increase in the value of assets reflects the impact of inflation on unit prices for infrastructure assets and the current property market for operational land. This movement in the value is held in equity within the IPP&E revaluation reserve.				
Summary - Asset Revaluation 2022				
		Prior to Revaluation \$'000	After Revaluation \$'000	Movement \$'000 %
Infrastructure	Gross Carrying Amount	2,718,855	2,585,462	133,393
	Accumulated Depreciation	(210,849)	(187,934)	(22,915)
	Total carrying value	2,508,006	2,397,528	110,478 4.4%
Operational land	Gross Carrying Amount	383,366	401,276	17,910
	Total carrying value	383,366	401,276	17,910 4.7%
	Total revalued assets	2,891,372	2,798,804	128,388 4.4%
6,155	5,835	320	5.5%	Investment properties
Council holds three investment properties located at Sydney Road Balgowlah, Condamine Street Balgowlah and Pittwater Road Brookvale. Professional property valuations are undertaken annually. There was a \$0.3m change in the value this year for these commercial properties.				
9,110	10,475	(1,365)	(13.0%)	Right of use assets
Right of use plant and equipment assets were (\$1.2m) lower and office and IT equipment assets were (\$0.1m) lower due to scheduled lease payments under these contracts.				
5,421,016	5,245,185	175,831	3.4%	TOTAL ASSETS

Northern Beaches Council

Liabilities



		30 June 2022
Liability Items		Actual
		(\$'000)
Current Liabilities		
Payables		45,393
Contract liabilities		24,206
Lease liabilities		1,238
Borrowings		4,770
Employee benefit provisions		35,553
Provisions		759
Total Current Liabilities		111,919
Non-Current Liabilities		
Payables		150
Contract liabilities		7,466
Lease liabilities		8,237
Borrowings		12,538
Employee benefit provisions		761
Provisions		43,404
Total Non-Current Liabilities		72,556
TOTAL Liabilities		184,475

Northern Beaches Council

Liabilities analysis

30-Jun-22 \$'000	30-Jun-21 \$'000	Incr/(Decr)		Details
		\$'000	%	
45,543	44,806	737	1.6%	Payables
Payables include security deposits and retentions of \$20.0m, accrued expenses including borrowings, salaries and wages and other expenditure accruals of \$14.1m and invoices payable of \$8.7m. The increase in payables compared to the prior financial year was primarily due to a \$1.6m increase in security bonds.				
31,672	36,361	(4,689)	(12.9%)	Contract liabilities
Contract liabilities mostly relate to unspent grant funds. The \$4.7m reduction relates to the utilisation of several large grants including Stronger Communities Round 2 Funds \$5.1m and the B-Line Active Transport funds of \$3.8m. The decrease in contract liabilities was partially offset by the receipt of several large new grants including Places to Roam funds of \$2.6m and the Public Spaces Legacy Program of \$2.4m.				
9,475	10,743	(1,268)	(11.8%)	Lease liabilities
Lease liabilities primarily relate to the vehicle component of Council's waste collection contract (\$8.8m). The \$1.3m reduction in lease liabilities was due to contract principal payments per the existing lease schedule. No new lease liabilities were incurred during the year.				
17,308	22,326	(5,018)	(22.5%)	Borrowings
Borrowings continue to decrease due to the ongoing repayment of existing loans.				
36,314	39,476	(3,162)	(8.0%)	Employee benefit provisions
Management actively encourages staff to take annual leave at regular intervals and reviews balances in excess of 8 weeks. Employee leave entitlements decreased \$3.2m primarily due to discounting of the provision to its present value (which reduced the balance by \$3.5m as a result of rising Commonwealth bond rates).				
44,163	44,912	(749)	(1.7%)	Provisions
Provisions comprise workers compensation self insurance (\$3.4m) and landfill remediation (\$40.7m). The provision decreased \$0.4m (which included a reduction of \$1.9m due to remeasurement of the provision against rising bond rates), while the self insurance provision also decreased \$0.4m to reflect the future claims assessment.				
184,475	198,624	(14,149)	(7.1%)	TOTAL LIABILITIES

Northern Beaches Council

Key performance indicators

2022		
Financial performance indicators		
Operating performance	4.53%	✓
Own source operating revenue ratio	82.52%	✓
Unrestricted current ratio	1.90x	✓
Debt service cover ratio	7.25x	✓
Rates and annual charges outstanding percentage	3.63%	✓
Cash expense cover ratio	5.59 months	✓
Infrastructure asset performance indicators		
Buildings and infrastructure renewals ratio	112.67%	✓
Infrastructure backlog ratio	1.53%	✓
Asset maintenance ratio	100.55%	✓
Cost to bring assets to agreed service level	1.26%	n/a

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

2022	2021	2020	Benchmark	Details
✓ 4.53%	✗ (7.32%)	✗ (4.93%)	>0%	Operating performance
Purpose: Measures Council's ability to contain operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded. The benchmark is greater than 0%.				
Commentary Over the past 3 years the COVID-19 pandemic has impacted revenue streams for services and resulted in additional costs to support the community and businesses. Recovery was stronger than expected towards the end of the 2022 financial year, with an overall cost of \$12.0m (2021:\$17.9m, 2020:\$11.2m). In the past two years this was the primary reason the operating performance benchmark was not achieved. However in 2022 a number of favourable one-off items offset the impact. This included a confidential insurance settlement, advance payment of 2023 grants and remeasuring the provision for employee leave. If these one-off items are removed from the ratio the result would still meet the benchmark at 1.26%.				
✓ 82.52%	✓ 87.42%	✓ 84.85%	>60%	Own source operating revenue ratio
Purpose: This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.				
Commentary Council's Own Source Operating Revenue indicator is well above the benchmark of 60% highlighting Council's financial flexibility.				

Northern Beaches Council

Key performance indicators (continued)

2022	2021	2020	Benchmark	Details
✓ 1.90x	✓ 1.69x	✓ 2.09x	>1.5x	Unrestricted current ratio
Purpose:	The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 7.11 developer contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5x - meaning for every \$1.00 current liability there is \$1.50 in current assets (after adjustments for restrictions).			
Commentary	Cash and investment balances have increased due to a number of one-off items including a confidential insurance settlement, advance payment of number of grants including a portion of the 2023 Financial Assistance Grant (\$2.2m) and Emergency Services Levy contribution (\$1.6m). The ratio is above the benchmark, indicating that Council is able to meet its short term financial obligations as they fall due after excluding all external and internal restrictions.			
✓ 7.25x	✓ 2.81x	✓ 3.72x	>2x	Debt service cover ratio
Purpose:	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2x.			
Commentary	Council's Debt Service Cover Ratio of 7.25x is above the benchmark of 2x. This ratio has increased this year due to a positive operating result and reduced borrowing costs.			
✓ 3.63%	✓ 3.92%	✓ 4.12%	<5%	Rates and annual charges outstanding %
Purpose:	The purpose of this ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.			
Commentary	Council maintains low levels of outstanding rates and annual charges, particularly given that it may allow aged pensioners, where, in its opinion, payment would cause hardship, to accrue rates and charges against their estate.			
✓ 5.6 months	✓ 5.1 months	✓ 5.4 months	>3 months	Cash expense cover ratio
Purpose:	This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.			
Commentary	Council's ratio of 5.6 months is consistent with prior years and exceeds the benchmark of greater than 3 months.			
✓ 112.67%	✓ 117.19%	✓ 121.34%	>100%	Buildings and infrastructure renewals ratio
Purpose:	To assess the rate at which these assets are being renewed against the rate at which they are depreciating.			
Commentary	Council's ratio is above the benchmark of 100% and represents the timing of the completion of projects and the Council's continued investment in the renewal of infrastructure assets.			

Northern Beaches Council

Key performance indicators (continued)

2022	2021	2020	Benchmark	Details
✓ 1.53%	✓ 1.50%	✓ 1.37%	<2%	Infrastructure backlog ratio
Purpose:	This ratio shows what proportion the backlog is against the total value of Council's infrastructure.			
Commentary	Council's Infrastructure Backlog Indicator remains below the benchmark of 2% indicating that Council does not have a comparatively significant infrastructure backlog. The marginal increase in this ratio is largely due to efforts to improve asset condition data and the impact of the infrastructure revaluation on the value of these assets.			
✓ 100.55%	✓ 106.52%	✓ 107.92%	>100%	Asset maintenance ratio
Purpose:	This ratio compares actual versus required annual asset maintenance. A ratio of above 100% indicates that the Council is investing enough funds within the year to stop the infrastructure backlog from growing. The benchmark is greater than 100%.			
Commentary	Council's Asset Maintenance Ratio indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing. The decrease in this ratio is largely due to a decline in maintenance expenditure for assets recently renewed that were previously in poor condition (eg tidal pools) along with the impact of the infrastructure revaluation on the value of these assets.			
1.26%	1.24%	1.15%	n/a	Cost to bring assets to agreed service level
Purpose:	To provide a meaningful snapshot of the proportion of outstanding renewal works compared to the total gross replacement cost of assets under Council's care and stewardship. Outstanding renewal works relate to the value of work required for assets that have reached the intervention level set by Council based on the condition of the asset. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is considered to be more reflective of Council's infrastructure 'backlog'.			
Commentary	Council's ratio 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 2022

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



northern
beaches
council

Northern Beaches Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
1. Statement by Councillors and Management	15
2. Primary Financial Statements:	
Income Statement	16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
3. Notes to the Financial Statements	21
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	91
On the Financial Statements (Sect 417 [3])	94

Overview

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

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

PRINCIPAL PLACE OF BUSINESS

725 Pittwater Road
Dee Why NSW 2099

OPENING HOURS

Monday to Friday
8.30am - 5.00pm

CONTACT DETAILS

Mailing Address:

PO Box 82
Manly NSW 1655

Telephone: 1300 434 434

Internet: www.northernbeaches.nsw.gov.au

Email: council@northernbeaches.nsw.gov.au

OTHER INFORMATION

ABN: 57 284 295 198

AUDITORS

Audit Office of New South Wales

Northern Beaches Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

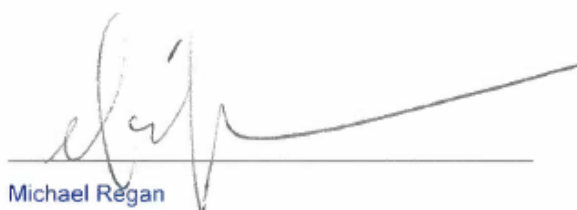
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 27 September 2022.



Michael Regan
Mayor
27 September 2022



Bianca Crvelin
Councillor
27 September 2022



Ray Brownlee
Chief Executive Officer
27 September 2022



David Walsh
Responsible Accounting Officer
27 September 2022

Northern Beaches Council

Income Statement

for the year ended 30 June 2022

<i>Original unaudited budget</i> 2022	\$ '000		<i>Actual</i> 2022	<i>Actual</i> 2021
		Notes		
	Income from continuing operations			
225,174	Rates and annual charges	B2-1	225,941	218,169
90,481	User charges and fees	B2-2	79,722	79,105
15,149	Other revenues	B2-3	22,343	14,994
17,557	Grants and contributions provided for operating purposes	B2-4	27,165	19,460
45,435	Grants and contributions provided for capital purposes	B2-4	43,952	26,544
997	Interest and investment income	B2-5	1,238	1,363
8,954	Other income	B2-6	6,736	6,154
–	Net gain from the disposal of assets	B4-1	960	–
403,747	Total income from continuing operations		408,057	365,789
	Expenses from continuing operations			
138,607	Employee benefits and on-costs	B3-1	134,560	139,118
141,820	Materials and services	B3-2	142,766	150,209
2,438	Borrowing costs	B3-3	2,624	2,605
44,919	Depreciation, amortisation and impairment	B3-4	45,508	47,406
19,269	Other expenses	B3-5	20,969	24,781
251	Net loss from the disposal of assets	B4-1	–	1,579
347,304	Total expenses from continuing operations		346,427	365,698
56,443	Operating result from continuing operations		61,630	91
56,443	Net operating result for the year		61,630	91
115	Net operating result attributable to non-controlling interests		206	104
11,007	Net operating result for the year before grants and contributions provided for capital purposes		17,678	(26,453)

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

Northern Beaches Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		61,630	91
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	128,388	(38,925)
Total items which will not be reclassified subsequently to the operating result		128,388	(38,925)
Total other comprehensive income for the period		128,388	(38,925)
Total comprehensive income for the year		190,018	(38,834)
 Total comprehensive income attributable to Council		189,812	(38,938)
Total comprehensive income attributable to non-controlling interests		206	104

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	6,552	10,661
Investments	C1-2	150,625	135,751
Receivables	C1-4	24,936	15,993
Inventories	C1-5	397	378
Prepayments		2,975	2,028
Total current assets		185,485	164,811
Non-current assets			
Investments	C1-2	760	826
Receivables	C1-4	1,007	1,087
Infrastructure, property, plant and equipment (IPPE)	C1-6	5,218,499	5,062,151
Investment properties	C1-7	6,155	5,835
Right of use assets	C2-1	9,110	10,475
Total non-current assets		5,235,531	5,080,374
Total assets		5,421,016	5,245,185
LIABILITIES			
Current liabilities			
Payables	C3-1	45,393	44,606
Contract liabilities	C3-2	24,206	26,546
Lease liabilities	C2-1	1,238	1,269
Borrowings	C3-3	4,770	5,033
Employee benefit provisions	C3-4	35,553	37,044
Provisions	C3-5	759	762
Total current liabilities		111,919	115,260
Non-current liabilities			
Payables	C3-1	150	200
Contract liabilities	C3-2	7,466	9,815
Lease liabilities	C2-1	8,237	9,474
Borrowings	C3-3	12,538	17,293
Employee benefit provisions	C3-4	761	2,432
Provisions	C3-5	43,404	44,150
Total non-current liabilities		72,556	83,364
Total liabilities		184,475	198,624
Net assets		5,236,541	5,046,561
EQUITY			
Accumulated surplus		4,927,620	4,866,196
IPPE revaluation reserve		307,617	179,229
Council equity interest		5,235,237	5,045,425
Non-controlling equity interests		1,304	1,136
Total equity		5,236,541	5,046,561

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

Northern Beaches Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022					2021				
		Accumulated surplus	IPPE revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPPE revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance at 1 July		4,866,196	179,229	5,045,425	1,136	5,046,561	4,866,209	218,154	5,084,363	1,186	5,085,549
Net operating result for the year		61,424	–	61,424	206	61,630	(13)	–	(13)	104	91
Other comprehensive income											
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	128,388	128,388	–	128,388	–	(38,925)	(38,925)	–	(38,925)
Other comprehensive income		–	128,388	128,388	–	128,388	–	(38,925)	(38,925)	–	(38,925)
Total comprehensive income		61,424	128,388	189,812	206	190,018	(13)	(38,925)	(38,938)	104	(38,834)
Dividends paid to minority interest		–	–	–	(38)	(38)	–	–	–	(154)	(154)
Closing balance at 30 June		4,927,620	307,617	5,235,237	1,304	5,236,541	4,866,196	179,229	5,045,425	1,136	5,046,561

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

Northern Beaches Council

Statement of Cash Flows

for the year ended 30 June 2022

<i>Original unaudited budget 2022 *</i>	<i>\$ '000</i>		<i>Actual 2022</i>	<i>Actual 2021</i>
		Notes		
Cash flows from operating activities				
Receipts:				
224,866	Rates and annual charges		226,388	218,524
93,344	User charges and fees		84,291	82,123
1,231	Interest received		1,182	2,123
57,168	Grants and contributions		56,649	58,012
6,386	Bonds, deposits and retentions received		7,098	7,356
43,620	Other		45,656	37,697
Payments:				
(137,588)	Payments to employees		(137,235)	(134,939)
(151,895)	Payments for materials and services		(156,463)	(164,584)
(1,142)	Borrowing costs		(1,142)	(1,429)
(6,386)	Bonds, deposits and retentions refunded		(5,466)	(6,416)
(19,130)	Other		(30,930)	(28,449)
110,474	Net cash flows from operating activities	G1-1	90,028	70,018
Cash flows from investing activities				
Receipts:				
332,000	Sale of investments		338,038	367,193
1,633	Proceeds from sale of IPPE		3,734	2,539
Payments:				
(300,000)	Purchase of investments		(352,829)	(355,613)
(136,672)	Payments for IPPE		(76,755)	(73,150)
(103,039)	Net cash flows from investing activities		(87,812)	(59,031)
Cash flows from financing activities				
Payments:				
(5,021)	Repayment of borrowings		(5,018)	(5,130)
(1,267)	Principal component of lease payments		(1,269)	(1,241)
–	Dividends paid to minority interest		(38)	(154)
(6,288)	Net cash flows from financing activities		(6,325)	(6,525)
1,147	Net change in cash and cash equivalents		(4,109)	4,462
2,812	Cash and cash equivalents at beginning of year		10,661	6,199
3,959	Cash and cash equivalents at end of year	C1-1	6,552	10,661

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

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

Northern Beaches Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	23
A1-1 Basis of preparation	23
B Financial Performance	26
B1 Functions or activities	26
B1-1 Functions or activities – income, expenses and assets	26
B1-2 Components of functions or activities	27
B2 Sources of income	29
B2-1 Rates and annual charges	29
B2-2 User charges and fees	30
B2-3 Other revenues	31
B2-4 Grants and contributions	32
B2-5 Interest and investment income	36
B2-6 Other income	37
B3 Costs of providing services	38
B3-1 Employee benefits and on-costs	38
B3-2 Materials and services	39
B3-3 Borrowing costs	40
B3-4 Depreciation, amortisation and impairment of non-financial assets	41
B3-5 Other expenses	42
B4 Gains or losses	43
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	43
B5 Performance against budget	44
B5-1 Material budget variations	44
C Financial position	46
C1 Assets we manage	46
C1-1 Cash and cash equivalents	46
C1-2 Financial investments	46
C1-3 Restricted and allocated cash, cash equivalents and investments	48
C1-4 Receivables	51
C1-5 Inventories	52
C1-6 Infrastructure, property, plant and equipment	53
C1-7 Investment properties	57
C2 Leasing activities	58
C2-1 Council as a lessee	58
C2-2 Council as a lessor	61
C3 Liabilities of Council	62
C3-1 Payables	62
C3-2 Contract Liabilities	63
C3-3 Borrowings	64
C3-4 Employee benefit provisions	66
C3-5 Provisions	67

Northern Beaches Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

C4 Reserves	69
C4-1 Nature and purpose of reserves	69
D Council structure	70
D1 Interests in other entities	70
D1-1 Subsidiaries	70
E Risks and accounting uncertainties	72
E1-1 Risks relating to financial instruments held	72
E2-1 Fair value measurement	75
E3-1 Contingencies	79
F People and relationships	82
F1 Related party disclosures	82
F1-1 Key management personnel (KMP)	82
F1-2 Councillor and Mayoral fees and associated expenses	82
F1-3 Other related parties	83
F2 Other relationships	84
F2-1 Audit fees	84
G Other matters	85
G1-1 Statement of Cash Flows information	85
G2-1 Commitments	86
G3 Statement of developer contributions as at 30 June 2022	87
G3-1 Summary of developer contributions	87
G3-2 Developer contributions by plan	88
G3-3 Contributions not under plans	89
G3-4 S7.4 planning agreements	89
G4 Statement of performance measures	90
G4-1 Statement of performance measures – consolidated results	90

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27th September 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Northern Beaches Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars. Disclosures where relevant may be presented in whole dollars or as otherwise noted.

Historical cost convention

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

Significant accounting estimates and judgements

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

A1-1 Basis of preparation (continued)

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

- General purpose operations
- Kimbriki Environmental Enterprises Pty Limited

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods. Northern Beaches Council's assessment of the impact of these new standards and interpretations relevant to them is set out below.

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

A1-1 Basis of preparation (continued)

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

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

New accounting standards and interpretations adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2022. These standards did not have a significant impact on the reported financial position or financial performance:

AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions: Tier 2 disclosures* [AASB 16 and AASB 1060]

AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions beyond 30 June 2021*

B Financial Performance

B1 Functions or activities

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

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

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Environment and Sustainability	9,287	5,693	42,739	36,852	(33,452)	(31,159)	5,317	2,965	855,590	814,327
Waste and Cleansing	49,164	46,718	59,029	64,285	(9,865)	(17,567)	274	310	15,425	15,016
Kimbriki Resource Recovery Centre ¹	43,517	39,609	38,196	36,918	5,321	2,691	–	–	85,223	83,453
Strategic Land Use Planning	1,494	1,401	6,675	7,268	(5,181)	(5,867)	589	318	36,601	29,757
Development Assessment	3,704	3,391	6,617	7,185	(2,913)	(3,794)	80	–	–	–
Environmental Compliance	8,003	6,547	12,667	13,578	(4,664)	(7,031)	–	–	–	–
Parks and Recreation	12,001	9,137	38,483	40,771	(26,482)	(31,634)	9,730	6,885	347,013	320,632
Children's Services	14,622	14,815	14,529	15,471	93	(656)	2,752	2,857	6,527	6,158
Community, Arts and Culture	5,241	3,624	12,043	12,417	(6,802)	(8,793)	2,423	899	50,921	49,225
Library Services	1,764	1,150	10,966	11,451	(9,202)	(10,301)	1,560	922	43,675	42,766
Transport, Traffic and Active Travel	36,726	28,476	37,765	38,166	(1,039)	(9,690)	20,869	11,944	891,481	841,488
Economic Development, Events and Engagement	1,448	387	10,893	10,052	(9,445)	(9,665)	881	60	–	–
Property and Facilities	35,340	31,097	45,382	56,829	(10,042)	(25,732)	679	2,640	2,960,689	2,918,847
Governance and Assurance Services	192	215	11,784	11,722	(11,592)	(11,507)	–	–	–	–
Customer Services	1	–	3,889	4,081	(3,888)	(4,081)	–	–	–	–
Corporate Support Services	17,533	11,181	12,552	15,539	4,981	(4,358)	15,184	8,255	127,871	123,516
Eliminations ²	(17,388)	(15,872)	(17,399)	(15,908)	11	36	–	–	–	–
General Purpose Income	185,791	179,199	–	–	185,791	179,199	10,779	7,949	–	–
Total functions and activities ³	408,440	366,768	346,810	366,677	61,630	91	71,117	46,004	5,421,016	5,245,185

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

(2) This includes tipping fees/tipping charges (\$13.9m), site rental income/site rental expense (\$3.5m) between Northern Beaches Council and Kimbriki. It also includes Council rates on Council properties.

(3) The income and expenses in B1-1 allocate the profit or loss on disposed assets to either income or expenses for each relevant service. The Income Statement reports a net figure. The amount which is recognised as a loss is \$383k for FY22.

B1-2 Components of functions or activities

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

Environment and Sustainability

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

Kimbriki Resource Recovery Centre

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

Development Assessment

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

Parks and Recreation

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

Community, Arts and Culture

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

Transport, Traffic and Active Travel

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

Property and Facilities

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

Customer Services

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

Waste and Cleansing

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

Strategic Land Use Planning

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

Environmental Compliance

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

Children's Services

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

Library Services

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

Economic Development, Events and Engagement

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

B1-2 Components of functions or activities (continued)

Governance and Assurance Services

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

Corporate Support Services

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

Eliminations

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

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	146,339	143,275
Farmland	15	15
Business	28,546	27,785
Less: pensioner rebates (mandatory)	(1,774)	(1,884)
Less: pensioner rebates (Council policy)	(135)	(149)
Rates levied to ratepayers	172,991	169,042
Pensioner rate subsidies received	997	1,034
Total ordinary rates	173,988	170,076
Special rates		
Business	1,408	1,307
Rates levied to ratepayers	1,408	1,307
Total special rates	1,408	1,307
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	48,978	46,326
Stormwater management services	2,207	879
Section 611 charges	176	190
Less: pensioner rebates (mandatory)	(631)	(607)
Less: pensioner rebates (Council policy)	(539)	(335)
Annual charges levied	50,191	46,453
Pensioner subsidies received:		
– Domestic waste management	354	333
Total annual charges	50,545	46,786
Total rates and annual charges	225,941	218,169

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	2022	2021
Aquatic centres	5,554	7,397
Caravan park	4,923	4,151
Cemeteries	1,120	1,082
Child care	11,866	11,952
Community centres	1,488	1,563
Currawong State Park	285	284
Glen Street Theatre	765	728
Golf course and driving range	2,597	2,359
Kimbriki waste and recycling centre	25,381	24,042
Libraries	81	121
Parking areas	10,349	11,427
Planning and building regulatory	8,088	7,738
Regulatory/statutory fees	521	248
Restoration charges	1,835	1,231
Section 10.7 certificates (EP&A Act)	825	870
Section 603 certificates	482	517
Sportsfields and reserves	1,231	1,310
Other fees	2,331	2,085
Total other user charges and fees	79,722	79,105
Total user charges and fees	79,722	79,105
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	24,881	26,075
User charges and fees recognised at a point in time	54,841	53,030
Total user charges and fees	79,722	79,105

Accounting policy

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

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

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

Licences granted by Council are mainly either short-term or low value and all revenue from licences < \$5k are recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenues

\$ '000	2022	2021
Advertising income	1,013	612
Ex gratia rates	25	26
Fines – parking	5,749	4,458
Fines – other	446	537
Legal fees recovery	193	189
Legal fees recovery – rates and charges (extra charges)	71	149
Licences, consents & deeds	3,228	3,284
Recycling income (domestic)	631	629
Sales of inventories	853	870
Other revenues – Kimbriki	3,967	2,853
Other ¹	6,167	1,387
Total other revenue	22,343	14,994

Timing of revenue recognition for other revenue

Other revenue recognised over time	3,228	3,284
Other revenue recognised at a point in time	19,115	11,710
Total other revenue	22,343	14,994

Accounting policy for other revenue

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

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

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

(1) 2022 - Includes a confidential insurance settlement.

B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,060	2,732	–	–
Financial assistance – local roads component	1,188	1,107	–	–
Payment in advance - future year allocation				
Financial assistance – general component	4,699	2,922	–	–
Financial assistance – local roads component	1,832	1,188	–	–
Amount recognised as income during current year	10,779	7,949	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire services	1,068	946	35	–
Child care	2,419	2,847	341	10
Coast and estuaries	–	–	888	600
Community services	1,264	944	85	60
Environmental protection	5,655	3,166	151	–
Library	826	703	734	219
Local Infrastructure Renewal Scheme subsidy	271	370	–	–
Recreation and culture	1,616	471	4,303	2,575
Street lighting	790	807	–	–
Stronger communities fund	1,349	106	4,016	5,212
Transport (other roads and bridges funding)	298	410	16,317	6,786
Transport (roads to recovery)	–	–	1,418	1,418
Transport for NSW contributions (regional roads, block grant)	750	741	759	1,219
Other	80	–	–	–
Total special purpose grants and non-developer contributions – cash	16,386	11,511	29,047	18,099
Non-cash contributions				
Other	–	–	–	369
Total other contributions – non-cash	–	–	–	369
Total special purpose grants and non-developer contributions (tied)	16,386	11,511	29,047	18,468
Total grants and non-developer contributions	27,165	19,460	29,047	18,468
Comprising:				
– Commonwealth funding	13,732	9,071	10,431	4,850
– State funding	12,713	9,781	17,351	10,894
– Other funding	720	608	1,265	2,724
	27,165	19,460	29,047	18,468

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:	G3				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	7,085	751
S 7.4 – contributions using planning agreements		–	–	106	–
S 7.12 – fixed development consent levies		–	–	7,714	6,874
Total developer contributions – cash		–	–	14,905	7,625
Non-cash contributions					
Other developer contributions		–	–	–	451
Total developer contributions non-cash		–	–	–	451
Total developer contributions		–	–	14,905	8,076
Total contributions		–	–	14,905	8,076
Total grants and contributions		27,165	19,460	43,952	26,544
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		6,157	4,358	26,822	15,420
Grants and contributions recognised at a point in time		21,008	15,102	17,130	11,124
Total grants and contributions		27,165	19,460	43,952	26,544

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent funds at 1 July	10,350	8,154	53,549	45,747
Recognised as income in the current period but not yet spent	540	324	15,126	8,308
Received for the provision of goods and services in a future period	187	3,269	8,438	16,729
Recognised in a previous reporting period now spent	(2,371)	(1,397)	(20,196)	(17,235)
Unspent funds at 30 June	8,706	10,350	56,917	53,549

Nature of unspent grants and contributions:

	2022	2021
- Currawong Cabin Renovations	1,337	1,364
- Local Roads and Community Infrastructure	251	2,409
- Precinct Support Scheme Frenchs Forest	4,480	4,624
- Transport for NSW B-line projects	4,676	8,428
- Stronger Communities Fund	6,441	11,789
- Manly Dam	2,136	976
- McKillop Headland Boardwalk	1,086	-
- Pipeline Regional Active Corridor	1,498	-
- South Collaroy Foreshore Renewal	1,000	-
- Bare Creek	1,393	1,394
- Other grants	4,868	3,373
Closing balance unspent grants and non-developer contributions - refer to Note C1-3:	29,166	34,357

Closing balance unspent Developer Contributions - refer to Note G3:	36,457	29,542
--	---------------	---------------

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include an enforceability clause, details on the specific performance obligations of the transfer of goods or services to an external party through the contract or as part of an agreed work schedule or plan, and refund stipulations if the performance obligations are not met. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	379	227
– Cash and investments	859	1,136
Total interest and investment income (losses)	1,238	1,363

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Investment properties			
Rental Income Investment Properties		246	204
Total Investment properties		246	204
Other lease income			
Rental Income Leased Council Properties		6,153	5,883
Total other lease income		6,153	5,883
Total rental income	C2-2	6,399	6,087
Fair value increment on investment properties			
Fair value increment on investment properties		320	—
Total fair value increment on investment properties	C1-7	320	—
Fair value increment on investments			
— Movements in investments at fair value through profit and loss (FVTPL)		17	67
Total Fair value increment on investments		17	67
Total other income		6,736	6,154

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	113,894	112,604
Employee termination costs (where material – other than vested leave paid)	524	743
Employee leave entitlements (ELE)	8,082	12,081
Superannuation	12,901	12,610
Workers' compensation insurance	945	2,472
Fringe benefit tax (FBT)	722	677
Kimbriki salaries and on-costs	4,579	4,734
Total employee costs	141,647	145,921
Less: capitalised costs	(7,087)	(6,803)
Total employee costs expensed	134,560	139,118

Accounting policy

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

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Agency personnel		2,866	2,832
Audit Fees	F2-1	247	222
Bank charges		575	498
Bush regeneration		4,450	4,108
Cleaning		6,898	7,180
Consultancy		386	389
Councillor and Mayoral fees and associated expenses	F1-2	691	595
Election expenses		1,371	—
Electricity, heating and water		4,109	4,503
Environment and floodplain management		3,645	2,373
External roadwork		6,249	4,364
Golf course and driving range		1,313	1,158
Insurance		3,452	3,020
IT and communications		9,555	11,863
Kimbriki Waste and Recycling Centre		16,632	16,048
Land use planning		1,002	1,190
Legal fees - other		1,210	8,389
Legal fees - planning and development		1,044	2,336
Lifeguard services		1,442	1,405
Maintenance and servicing		5,889	6,158
Management fees		1,917	1,692
NSW Revenue fine processing fees		828	552
Other contracts		6,143	8,071
Parking		667	672
Performance and events		2,166	1,325
Plant and vehicle		2,442	2,167
Printing, postage and stationery		1,057	1,245
Raw materials and consumables		4,010	4,114
Recreation and sportsfields		7,608	7,801
Stormwater		883	824
Street lighting		2,444	2,615
Training costs		693	776
Tree works		5,611	3,501
Valuation fees		477	458
Waste collection ¹		17,077	16,325
Waste disposal and processing		12,370	15,892
Materials and services - other		3,347	3,807
Total materials and services		142,766	150,468
Less: capitalised costs		—	(259)
Total materials and services		142,766	150,209

Accounting policy

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

(1) The total amount paid for waste collection inclusive of lease components of the contract in 2022 is \$18.470m. In 2021 this figure was \$17.717m.

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on leases		288	317
Interest on loans		826	1,052
Total interest bearing liability costs		1,114	1,369
Total interest bearing liability costs expensed		1,114	1,369
(ii) Other borrowing costs			
Unwinding of discount asset remediation	C3-5	1,510	1,236
Total other borrowing costs		1,510	1,236
Total borrowing costs expensed		2,624	2,605

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
– Buildings	C1-6	7,994	8,570
– Roads	C1-6	10,783	10,403
– Stormwater	C1-6	6,916	6,744
– Recreational and other infrastructure	C1-6	5,595	6,046
– Right of use assets	C2-1	1,366	1,357
– Other	C1-6	12,136	13,506
Reinstatement, rehabilitation and restoration assets:			
– Asset remediation	C3-5, C1-6	718	780
Total depreciation, amortisation and impairment for non-financial assets		45,508	47,406

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables	C1-4	55	115
Donations, contributions and assistance to other organisations		4,830	8,141
Contributions/levies to other levels of government:			
- Crown land levy		122	106
- Emergency services levy		6,416	7,369
- Land tax		329	384
- Planning levy		691	681
- Waste levy		8,526	7,985
Total other expenses		20,969	24,781

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		1,739	263
Less: carrying amount of property assets sold/written off		(503)	(210)
Gain (or loss) on disposal		1,236	53
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		1,995	2,276
Less: carrying amount of plant and equipment assets sold/written off		(492)	(892)
Gain (or loss) on disposal		1,503	1,384
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(1,779)	(3,016)
Gain (or loss) on disposal		(1,779)	(3,016)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		338,038	355,633
Less: carrying amount of financial assets sold/redeemed/matured		(338,038)	(355,633)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		960	(1,579)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 15/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	225,174	225,941	767	0% F
User charges and fees	90,481	79,722	(10,759)	(12)% U
User fees and charges were primarily impacted by the COVID-19 pandemic. Significant variations include lower than anticipated:				
<ul style="list-style-type: none"> • (\$3.9m) Parking Fees • (\$2.5m) Aquatic Centres • (\$1.6m) Children's Services • (\$1.2m) Caravan Park - accommodation fees • (\$1.1m) Glen Street Theatre booking fee and ticket sales • (\$0.9m) Community Centres • (\$0.5m) Sporting Fees 				
Partially offset by higher:				
<ul style="list-style-type: none"> • \$0.8m Road Restoration charges • \$0.6m Golf Driving Ranges fees 				
Other revenues	15,149	22,343	7,194	47% F
The Original Budget included Licence Income under 'Other Income', however the actuals (+\$3.2m) are now classified as 'Other Revenues'. Adjusted for this, the budget variance is \$4.1m (27%) which included:				
<ul style="list-style-type: none"> • \$1.7m Recycling income from Kimbriki due to high recovery rates and high metal prices • Confidential insurance settlement 				
Offset by:				
<ul style="list-style-type: none"> • (\$1.8m) Lower parking fine income 				
Operating grants and contributions	17,557	27,165	9,608	55% F
Council budgets for recurring and secured operating grants and contributions. Variations to the budget include:				
<ul style="list-style-type: none"> • \$2.2m Advance receipt of 2022/23 Financial Assistance grant • \$2.1m Local Emergency Management funding for storm events • \$1.6m Advance receipt of 2022/23 State funding Emergency Services contribution • \$0.9m Play Manly - CBD Revitalisation funding • \$1.1m Start Strong free preschool funding and other Childcare grant funding • \$0.6m Tree Management funding • \$0.3m Coast, Catchment and Estuaries funding • \$0.3m Bushland and Biodiversity funding • \$0.3m Contributions for various Glen Street Theatre productions 				
Offset by:				
<ul style="list-style-type: none"> • (\$1.2m) Deferral of drawdown funding for the Mona Vale Public School Performance Space works 				
Capital grants and contributions	45,435	43,952	(1,483)	(3)% U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
---------	----------------	----------------	------------------------------	--

Interest and investment revenue

997

1,238

241

24%

F

Increased investment Interest returns of \$0.3m due to higher interest rates and investment balances on investments, Offset by lower Interest charged on Overdue Rates (\$0.1m).

Net gains from disposal of assets

—

960

960

∞

F

Council takes the conservative position to not budget for gains on disposal of assets with the exception of planned plant and equipment sales.

The variance is principally due to receipts from disposal of Plant and equipment \$1.6m and Property \$1.2m offset by costs associated with disposal of Infrastructure assets (\$1.8m).

Other income

8,954

6,736

(2,218)

(25)%

U

The Original Budget included Licence Income under 'Other Income', however the actuals (\$3.2m) are now classified as 'Other Revenues' (see above).

Adjusted for this, the budget variance is a favourable \$0.9m (16%) which included:

- \$0.3m An increase in the fair value of Investment Properties
- \$0.6m Lease income including market review adjustments

Expenses**Employee benefits and on-costs**

138,607

134,560

4,047

3%

F**Materials and services**

141,820

142,766

(946)

(1)%

U**Borrowing costs**

2,438

2,624

(186)

(8)%

U**Depreciation, amortisation and impairment of non-financial assets**

44,919

45,508

(589)

(1)%

U**Other expenses**

19,269

20,969

(1,700)

(9)%

U**Net losses from disposal of assets**

251

—

251

100%

F

Budgeted disposals of Property (\$0.9m) offset by disposal of Plant and equipment assets \$0.6m.

Statement of cash flows**Cash flows from operating activities**

110,474

90,028

(20,446)

(19)%

U

The unfavourable performance against budget primarily reflects lower than anticipated user charges and fees income, such as parking fees, aquatic centres, childrens services, caravan park accommodation, Glen Street Theatre and community centres which were primarily impacted by the COVID-19 pandemic.

Cash flows from investing activities

(103,039)

(87,812)

15,227

(15)%

F

The favourable performance against budget reflects lower than anticipated capital works expenditure. Construction, design, and approval delays along with the disruption for the COVID-19 Pandemic have slowed progress on a number of projects. The unspent budget for these projects is to be revoted into the future years.

Cash flows from financing activities

(6,288)

(6,325)

(37)

1%

U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,029	205
Cash equivalent assets		
– Deposits at call	5,523	10,456
Total cash and cash equivalents	6,552	10,661

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,552	10,661
Balance as per the Statement of Cash Flows	6,552	10,661

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Mortgage backed securities	–	760	–	826
Total	–	760	–	826
Debt securities at amortised cost				
Term deposits	150,625	–	135,751	–
Total	150,625	–	135,751	–
Total financial investments	150,625	760	135,751	826

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

C1-2 Financial investments (continued)

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

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

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

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

Financial assets through profit or loss

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

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

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

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

\$ '000		2022	2021	
(a)	Externally restricted cash, cash equivalents and investments			
Total cash, cash equivalents and investments		157,937	147,238	
Less: Externally restricted cash, cash equivalents and investments		(41,492)	(30,835)	
Cash, cash equivalents and investments not subject to external restrictions		116,445	116,403	
\$ '000		Notes	2022	2021

External restrictions

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

Developer contributions – general	A	36,457	29,542
Specific purpose unexpended grants	B	566	262
Domestic waste management	C	3,746	428
Stormwater management	D	570	194
Balgowlah area improvements	E	117	407
Manly business centre improvements	F	36	2
Total external restrictions		41,492	30,835
External Restrictions			

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

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	116,445	116,403
Less: Internally allocated cash, cash equivalents and investments	(80,184)	(83,399)
Unallocated cash, cash equivalents and investments	36,261	33,004

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

\$ '000	Notes	2022	2021
Internal allocations			
At 30 June, Council has internally allocated funds to the following:			
Mona Vale Cemetery reserve	A	7,245	5,023
Deposits, retentions and bonds	B	15,380	13,750
Employees leave entitlement	C	7,026	7,633
Environmental levy (former Manly Council)	D	1,532	1,839
Meals on wheels	E	258	262
Road reserve	F	—	—
Special rates variation (former Pittwater Council)	G	236	2,611
Merger savings fund	H	1,699	3,647
Tennis liaison trust fund	I	221	199
Manly Art Gallery	J	705	710
Plant and Fleet Replacement	K	3,327	1,406
Property Improvement Reserve	L	294	—
Kimbriki Landfill Remediation	M	13,597	12,153
Stronger Communities Fund Tied Grants	N	6,441	11,789
Other Tied Grants	N	22,159	22,306
Other	O	64	71
Total internal allocations		80,184	83,399

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

A	Any cash surplus from Mona Vale Cemetery operations is held as a restricted asset to fund future perpetual maintenance.
B	77% of deposits, retentions and bonds are held as restricted funds.
C	20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff.
D	Unexpended funds received through the environmental component of the former Manly's rates are set aside to be used to fund various environmental programs around the Manly area.
E	Any cash surplus from Meals on Wheels operations is held as a restricted asset to fund future expenses.
F	In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of public roads are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.
G	Funds received through a special rates variation are set aside to be used on major capital and infrastructure works, environmental projects, community facility improvements and the replacement of ageing infrastructure in the Pittwater area.
H	Amalgamation savings achieved to 30 June 2018 and set aside to fund various future capital and operational projects.
I	70% of rental income from Mona Vale, Careel Bay, Elanora Park and Bayview Tennis Clubs is held as a restricted asset to be expended on future capital works and improvements at the Tennis Clubs.
J	Bequest to Council from Theodore Batten to fund future youth art award programs and artwork acquisitions.
K	Funds set aside for future plant and fleet replacement.
L	Funds set aside to support the delivery of the Property Management Framework for the delivery of community infrastructure, environmental land acquisitions and commercial development.
M	Funds set aside to remediate the Kimbriki tip landfill site.
N	Tied grants relate to any grants received where revenue recognition is deferred until obligations are satisfied.
O	- Any cash surplus from the Bible Garden Public Reserve is held as a restricted asset to fund future maintenance at the site. - Rental income from the Café at Mona Vale Surf Club is held as a restricted asset to fund future maintenance and improvements. - Cash set aside as a contribution towards the future replacement of pipeline and ongoing maintenance to the Scotland Island non potable emergency water supply.

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

\$ '000	2022	2021
(c) Unallocated		
Unallocated cash, cash equivalents and investments	36,261	33,004

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

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	6,994	592	7,219	652
Interest and extra charges	661	415	727	435
User charges and fees	3,852	–	4,588	–
Interest on investments	291	–	149	–
Government grants and subsidies	11,104	–	1,335	–
Other	905	–	1,171	–
Net GST receivable	1,924	–	1,578	–
Total	25,731	1,007	16,767	1,087
Less: provision for impairment				
Rates and annual charges	(123)	–	(119)	–
User charges and fees	(672)	–	(655)	–
Total provision for impairment – receivables	(795)	–	(774)	–
Total net receivables	24,936	1,007	15,993	1,087

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	284	–	274	–
Trading stock	113	–	104	–
Total inventories at cost	397	–	378	–
Total inventories	397	–	378	–

Accounting policy

Stores, materials and trading stock

Stores, materials and trading stock are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	36,229	–	36,229	32,297	44,405	–	–	(69,163)	–	43,768	–	43,768
Plant and equipment	44,376	(18,374)	26,002	3,461	224	(488)	(5,722)	(12)	–	44,841	(21,376)	23,465
Office equipment	23,927	(19,635)	4,292	1,461	564	(22)	(2,520)	6	–	25,866	(22,085)	3,781
Furniture and fittings	2,250	(2,001)	249	–	565	–	(57)	(14)	–	2,790	(2,047)	743
Land:												
– Operational land	383,584	–	383,584	–	–	(218)	–	–	17,910	401,276	–	401,276
– Community & Crown land	2,116,454	–	2,116,454	–	174	(285)	–	–	–	2,116,343	–	2,116,343
– Land under roads (post 30/6/08)	725	–	725	–	–	–	–	–	–	725	–	725
Land improvements – depreciable	21,820	(8,201)	13,619	9	–	(25)	(2,714)	2,568	–	24,304	(10,847)	13,457
Infrastructure:												
– Buildings	694,661	(188,717)	505,944	10,283	7,193	–	(7,994)	(5)	16,908	735,672	(203,343)	532,329
– Roads sealed	537,899	(60,087)	477,812	7,412	566	(326)	(7,989)	69	20,452	565,179	(67,182)	497,997
– Roads unsealed	1,910	(251)	1,659	–	–	–	(7)	(68)	72	1,927	(271)	1,656
– Bridges	12,436	(3,387)	9,049	1,649	–	–	(74)	–	575	14,876	(3,677)	11,199
– Footpaths	120,869	(12,851)	108,018	1,698	4,512	(203)	(823)	–	231	126,790	(13,357)	113,433
– Other road assets (including bulk earthworks)	252,114	(40,459)	211,655	2,893	3,609	(916)	(1,891)	–	10,993	270,156	(43,813)	226,343
– Stormwater drainage	980,704	(166,608)	814,096	5,525	563	(119)	(6,916)	–	41,848	1,036,493	(181,496)	854,997
– Swimming pools	28,831	(5,101)	23,730	181	–	–	(443)	–	1,478	30,774	(5,828)	24,946
– Other open space/recreational assets	133,538	(18,039)	115,499	2,985	2,575	(185)	(3,297)	(1)	7,078	146,131	(21,477)	124,654
– Other infrastructure	215,764	(33,984)	181,780	4,673	2,496	(30)	(1,854)	1	10,843	234,302	(36,394)	197,908
Other assets:												
– Library books	18,514	(14,938)	3,576	881	8	–	(1,123)	–	–	19,404	(16,062)	3,342
– Other	4,771	(1)	4,770	–	555	–	–	–	–	5,326	(1)	5,325
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Asset remediation	28,942	(5,533)	23,409	–	(1,879)	–	(718)	–	–	27,063	(6,251)	20,812
Total infrastructure, property, plant and equipment	5,660,318	(598,167)	5,062,151	75,408	66,130	(2,817)	(44,142)	(66,619)	128,388	5,874,006	(655,507)	5,218,499

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

(-) Total capital expenditure was \$76.9 million in 2021/22 and \$73.9 million in 2020/21.

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	24,906	–	24,906	9,761	20,411	–	–	(18,849)	–	36,229	–	36,229
Plant and equipment	42,954	(15,382)	27,572	1,480	3,570	(891)	(5,729)	–	–	44,376	(18,374)	26,002
Office equipment	23,440	(16,758)	6,682	1,041	598	–	(4,029)	–	–	23,927	(19,635)	4,292
Furniture and fittings	2,116	(1,963)	153	–	135	–	(39)	–	–	2,250	(2,001)	249
Land:												
– Operational land	435,251	–	435,251	–	–	(210)	–	(1,693)	(49,764)	383,584	–	383,584
– Community & Crown land	2,111,810	–	2,111,810	–	2,951	–	–	1,693	–	2,116,454	–	2,116,454
– Land under roads (post 30/6/08)	721	–	721	–	4	–	–	–	–	725	–	725
Land improvements – depreciable	15,336	(5,590)	9,746	170	–	–	(2,611)	6,314	–	21,820	(8,201)	13,619
Infrastructure:												
– Buildings	665,615	(169,636)	495,979	9,734	411	(2,449)	(8,570)	–	10,839	694,661	(188,717)	505,944
– Roads sealed	532,140	(55,371)	476,769	8,432	493	(133)	(7,749)	–	–	537,899	(60,087)	477,812
– Roads unsealed	1,745	(246)	1,499	17	148	–	(5)	–	–	1,910	(251)	1,659
– Bridges	12,509	(3,354)	9,155	–	–	–	(70)	(36)	–	12,436	(3,387)	9,049
– Footpaths	114,562	(12,455)	102,107	1,319	5,459	(31)	(836)	–	–	120,869	(12,851)	108,018
– Other road assets (including bulk earthworks)	247,355	(39,534)	207,821	2,400	3,418	(241)	(1,743)	–	–	252,114	(40,459)	211,655
– Stormwater drainage	977,219	(159,887)	817,332	2,355	1,253	(100)	(6,744)	–	–	980,704	(166,608)	814,096
– Swimming pools	27,338	(4,709)	22,629	1,493	–	–	(392)	–	–	28,831	(5,101)	23,730
– Other open space/recreational assets	130,957	(15,456)	115,501	2,302	1,295	(46)	(3,550)	(3)	–	133,538	(18,039)	115,499
– Other infrastructure	212,074	(32,511)	179,563	3,100	1,198	(16)	(2,104)	39	–	215,764	(33,984)	181,780
Other assets:												
– Library books	17,151	(13,840)	3,311	25	1,338	–	(1,098)	–	–	18,514	(14,938)	3,576
– Other	4,577	–	4,577	–	193	–	–	–	–	4,771	(1)	4,770
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Asset remediation	24,372	(4,753)	19,619	–	4,570	–	(780)	–	–	28,942	(5,533)	23,409
Total infrastructure, property, plant and equipment	5,624,148	(551,445)	5,072,703	43,629	47,445	(4,117)	(46,049)	(12,535)	(38,925)	5,660,318	(598,167)	5,062,151

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

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

Accounting policy

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

IPPE are held at fair value.

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

Useful lives of IPPE

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

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

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

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

Capitalisation Thresholds

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

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

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

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

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

C1-7 Investment properties

Owned investment property

\$ '000	2022	2021
At fair value		
Opening balance at 1 July	5,835	5,835
Net gain/(loss) from fair value adjustments	320	—
Closing balance at 30 June	6,155	5,835

Accounting policy

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

C2 Leasing activities

C2-1 Council as a lessee

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

Buildings

Council leases a building in Dee Why for the purpose of providing long day care. The lease expires in 2032.

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

Office and IT equipment

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

Plant & Equipment

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

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

At each anniversary of the commencement date, the prices in the contract will be adjusted in accordance with CPI for the subsequent year. For the URM contract the variable lease payments are adjusted for CPI. However the actual lease liability which relates to the waste collection trucks only is not affected by this due to the fact that Council calculated the value of these assets as stand alone items.

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

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

Extension options

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

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

C2-1 Council as a lessee (continued)

(a) Right of use assets

\$ '000	<i>Plant & Equipment</i>	<i>Buildings</i>	<i>Office and IT Equipment</i>	<i>Total</i>
2022				
Opening balance at 1 July	9,767	596	112	10,475
Depreciation charge	(1,227)	(54)	(85)	(1,366)
Adjustments due to re-measurement of lease liability	–	–	1	1
Balance at 30 June	8,540	542	28	9,110
2021				
Opening balance at 1 July	10,993	103	193	11,289
Depreciation charge	(1,226)	(47)	(84)	(1,357)
Adjustments due to re-measurement of lease liability	–	540	3	543
Balance at 30 June	9,767	596	112	10,475

(b) Lease liabilities

\$ '000	<i>2022 Current</i>	<i>2022 Non-current</i>	<i>2021 Current</i>	<i>2021 Non-current</i>
Lease liabilities	1,238	8,237	1,269	9,474
Total lease liabilities	1,238	8,237	1,269	9,474

(c) (i) The maturity analysis

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

\$ '000	<i>< 1 year</i>	<i>1 – 5 years</i>	<i>> 5 years</i>	<i>Total</i>	<i>Total per Statement of Financial Position</i>
2022					
Cash flows	1,489	5,840	3,134	10,463	9,475
2021					
Cash flows	1,557	5,852	4,612	12,021	10,743

(d) Income Statement

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

\$ '000	<i>2022</i>	<i>2021</i>
Interest on lease liabilities	288	317
Variable lease payments based on usage not included in the measurement of lease liabilities	16,526	15,417
Depreciation of right of use assets	1,366	1,357
Expenses relating to low-value leases	206	277
	18,386	17,368

C2-1 Council as a lessee (continued)

\$ '000	2022	2021
(e) Statement of Cash Flows		
Total cash outflow for leases	(1,558)	(1,557)
	(1,558)	(1,557)

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

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

i) Council as lessee:

- Beacon Hill playing fields
- Warringah Mall library

ii) Council as lessor:

- Surf Life Saving Clubs
- Transport for NSW B-Line Car Parks
- NSW Rural Fire Services
- The Scout Association of Australia
- Sports Clubs
- Commonwealth of Australia
- Marine Rescue NSW
- Police Citizens Youth Clubs NSW
- The Uniting Church in Australia Property Trust

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

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

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	2022	2021
---------	------	------

(i) Assets held as investment property

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

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

Lease income (excluding variable lease payments not dependent on an index or rate)	246	204
Direct operating expenses from property that generated rental income	(20)	(24)
Direct operating expenses from property that did not generate rental income	—	—
Total income relating to operating leases for investment property assets	226	180

(ii) Assets held as property, plant and equipment

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

Lease income (excluding variable lease payments not dependent on an index or rate)	6,153	5,883
Total income relating to operating leases for Council assets	6,153	5,883

Amount of IPPE leased out by Council under operating leases

Buildings	190,041	106,480
Community & Crown Land	18,353	21,613
Operational land	874	830
Total amount of IPPE leased out by Council under operating leases	209,268	128,923

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

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

< 1 year	4,936	4,902
1–2 years	3,028	3,250
2–3 years	2,599	2,858
3–4 years	2,077	2,160
4–5 years	1,712	1,509
> 5 years	18,206	14,662
Total undiscounted lease payments to be received ¹	32,558	29,341

(1) In 2021/22 the amount is calculated based on future income including fixed increases. In 2020/21 the future amount is calculated based on current amounts invoiced due to uncertainty in light of COVID-19 conditions.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Payables				
Goods and services	8,720	–	8,121	–
Accrued expenses:				
– Borrowings	141	–	168	–
– Salaries and wages	4,763	–	4,181	–
– Other expenditure accruals	9,190	–	11,234	–
Security bonds, deposits and retentions	19,963	–	18,332	–
Government departments and agencies	100	–	102	–
Prepaid rates	2,292	–	2,134	–
Other	224	150	334	200
Total payables	45,393	150	44,606	200
Total payables	45,393	150	44,606	200

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	13,712	11,835
Total payables	13,712	11,835

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	18,011	2,162	19,093	4,473
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,836	5,304	4,747	5,342
Total grants received in advance		20,847	7,466	23,840	9,815
Deposits received in advance of services provided		3,359	–	2,706	–
Total user fees and charges received in advance		3,359	–	2,706	–
Total contract liabilities		24,206	7,466	26,546	9,815

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, libraries and other infrastructure. The funds received are under an enforceable contract which requires Council to construct an identified asset that will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	12,027	6,449
Operating grants (received prior to performance obligation being satisfied)	2,135	792
User fees and charges received in advance:		
Deposits received in advance of services provided (e.g. caravan park fees, hire fees)	2,706	1,732
Total revenue recognised that was included in the contract liability balance at the beginning of the period	16,868	8,973

Significant changes in contract liabilities

The contract liabilities have decreased from \$36.361 million in 20/21 to \$31.672 in 21/22 primarily due to the expenditure of several large grants including Stronger Communities Round 2 funds of \$5.148 million and the B-Line Active Transport funds of \$3.751 million. The decrease in the contract liabilities was offset by the receipt of several significant grants relating to the construction of Council controlled assets. This included the Places to Roam funds of \$2.584 million and the Public Spaces Legacy funding of \$2.375 million.

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured	4,770	12,538	5,033	17,293
Total borrowings	4,770	12,538	5,033	17,293

(a) Changes in liabilities arising from financing activities

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

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

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	5,500	5,500
Credit cards/purchase cards	150	150
Total financing arrangements	5,650	5,650

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

Drawn facilities

– Credit cards/purchase cards	39	27
Total drawn financing arrangements	39	27

Undrawn facilities

– Bank overdraft facilities	5,500	5,500
– Credit cards/purchase cards	111	123
Total undrawn financing arrangements	5,611	5,623

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans are secured over the income of Council. Lease liabilities are secured by the underlying leased assets.

C3-3 Borrowings (continued)

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	12,693	–	12,020	–
Sick leave	283	–	373	–
Long service leave	22,326	761	24,338	2,432
Gratuities	8	–	8	–
Other leave	243	–	305	–
Total employee benefit provisions	35,553	761	37,044	2,432

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	20,852	22,746
	20,852	22,746

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Other provisions				
Self insurance – workers compensation	759	2,681	762	3,057
Sub-total – other provisions	759	2,681	762	3,057
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	40,723	–	41,093
Sub-total – asset remediation/restoration	–	40,723	–	41,093
Total provisions	759	43,404	762	44,150

Description of and movements in provisions

\$ '000	Other provisions		Net carrying amount
	Self insurance	Asset remediation	
2022			
At beginning of year	3,819	41,093	44,912
Unwinding of discount	–	1,509	1,509
Additional provisions	351	–	351
Amounts used (payments)	(730)	–	(730)
Remeasurement effects	–	(1,879)	(1,879)
Total other provisions at end of year	3,440	40,723	44,163
2021			
At beginning of year	2,712	35,287	37,999
Unwinding of discount	–	1,236	1,236
Additional provisions	1,809	–	1,809
Amounts used (payments)	(702)	–	(702)
Remeasurement effects	–	4,570	4,570
Total other provisions at end of year	3,819	41,093	44,912

Nature and purpose of provisions

Asset remediation

Asset Remediation Provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations. Council is required by law to restore the present tip site at Kimbriki to passive open space at the end of its useful life. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Mockinya Consulting in June 2020 and has been subsequently reviewed in June 2022 to allow for the necessary updates. The projected cost of this restoration is \$132.36 million based on the latest updates to the 2020 Landfill Closure and Post Closure Management Evaluation of Costs Report. As a result of current economic conditions due to the COVID- 19 pandemic, there is increased difficulty in applying a 'discount rate' to estimate the present value for such a long term liability. The RBA long term government bond rate applicable to the discount period has been used to estimate the present value of the remediation provision. Regular, ongoing reviews of these inputs are undertaken given the current level of volatility in the economy. Costs have been escalated at an inflation rate of 2.7% and the provision has been discounted to its present value at 3.85% per annum.

Self-insurance

Self Insurance Provisions represent both;

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

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

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

- Claims Escalation of 3.000% - 3.500% per annum and Bond Yields of 3.080% - 4.299% 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 2022;

C3-5 Provisions (continued)

- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in standardised values as at June 2022;

The last actuarial assessment of Workers Compensation claims was undertaken in July 2022 for the 30 June 2022 provision balance, and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

Accounting policy

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

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

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

Asset remediation – tips

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

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

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

Self-insurance

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains bank guarantees to the value of \$4,791,000; - refer to Note E3-1 (1.iii).

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Subsidiaries

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

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

Interests in Subsidiary	Ownership 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
Council's interest in Subsidiary	96.16%	96.16%	96.16%	96.16%

The nature and extent of significant restrictions relating to the Subsidiary

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

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

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

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

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

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

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

D1-1 Subsidiaries (continued)

Summarised financial information for the Subsidiary

\$ '000	2022	2021
Summarised statement of comprehensive income		
Revenue	43,618	39,689
Expenses	(38,261)	(36,976)
Profit for the period	5,357	2,713
Total comprehensive income ⁽¹⁾	5,357	2,713
(1) Non-controlling interest share	206	104
Dividends paid to non-controlling interests	38	154
Summarised statement of financial position		
Current assets	32,512	27,030
Non-current assets	31,899	33,014
Total assets	64,411	60,044
Current liabilities	7,456	8,083
Non-current liabilities	23,006	22,367
Total liabilities	30,462	30,450
Net assets ⁽²⁾	33,949	29,594
(2) Non-controlling interest share	1,304	1,136
Summarised statement of cash flows		
Cash flows from operating activities	9,926	9,098
Cash flows from investing activities	(2,756)	(3,065)
Cash flows from financing activities	(1,631)	(4,610)
Net increase (decrease) in cash and cash equivalents	5,539	1,423

Accounting policy for subsidiaries

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

The risks associated with the instruments held are:

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,572	1,464
Impact of a 10% movement in price of investments		
– Equity / Income Statement	76	83

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

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	6,069	1,517	7,586
2021				
Gross carrying amount	–	6,494	1,377	7,871

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	16,585	692	316	107	1,452	19,152
Expected loss rate (%)	1.09%	3.90%	4.75%	41.12%	27.96%	3.51%
ECL provision	181	26	15	44	406	672
2021						
Gross carrying amount	7,576	411	290	256	1,450	9,983
Expected loss rate (%)	2.44%	6.08%	10.69%	6.25%	27.45%	6.56%
ECL provision	185	25	31	16	398	655

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	19,963	25,430	150	–	45,543	45,543
Borrowings	4.99%	–	4,770	8,056	4,482	17,308	17,308
Total financial liabilities		19,963	30,200	8,206	4,482	62,851	62,851
2021							
Payables	0.00%	18,332	26,274	200	–	44,806	44,806
Borrowings	4.03%	–	5,033	12,369	4,924	22,326	22,326
Total financial liabilities		18,332	31,307	12,569	4,924	67,132	67,132

Loan agreement breaches

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

E2-1 Fair value measurement

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

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

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial assets							
At fair value through profit or loss	C1-2	760	826	—	—	760	826
Total financial assets		760	826	—	—	760	826
Investment property							
Commercial Office and Retail	C1-7	6,155	5,835	—	—	6,155	5,835
Total investment property		6,155	5,835	—	—	6,155	5,835
Infrastructure, property, plant and equipment							
Plant & Equipment	C1-6	—	—	23,465	26,002	23,465	26,002
Office Equipment		—	—	3,781	4,292	3,781	4,292
Furniture & Fittings		—	—	743	249	743	249
Operational Land		401,276	383,584	—	—	401,276	383,584
Community & Crown Land		—	—	2,116,343	2,116,454	2,116,343	2,116,454
Land Under Roads		—	—	725	725	725	725
Land Improvements - Depreciable		—	—	13,457	13,619	13,457	13,619
Buildings		—	—	532,329	505,944	532,329	505,944
Roads Sealed		—	—	497,997	477,812	497,997	477,812
Roads Unsealed		—	—	1,656	1,659	1,656	1,659
Other Road Assets		—	—	226,343	211,655	226,343	211,655
Bridges		—	—	11,199	9,049	11,199	9,049
Footpaths		—	—	113,433	108,018	113,433	108,018
Drainage Infrastructure		—	—	854,997	814,096	854,997	814,096
Swimming Pools		—	—	24,946	23,730	24,946	23,730
Other Open Space/Recreational Assets		—	—	124,654	115,499	124,654	115,499
Other Infrastructure		—	—	197,908	181,780	197,908	181,780
Library Books		—	—	3,342	3,576	3,342	3,576
Other		—	—	5,325	4,770	5,325	4,770
Remediation asset		—	—	20,812	23,409	20,812	23,409

continued on next page ...

E2-1 Fair value measurement (continued)

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Total infrastructure, property, plant and equipment		401,276	383,584	4,773,455	4,642,338	5,174,731	5,025,922

Valuation techniques

Level 2 measurements

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

\$ '000	Fair value (30/6/22)	Valuation technique/s	Unobservable inputs
Investments - at fair value through profit or loss	760	Indicative market valuation advice from an independent external investment advisor	Weighted average life of the security, any current trading activity, information on credit quality, relevant economic and market information and information received from the Trustee in relation to these securities
Investment properties	6,155	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls
Operational Land	401,276	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment, Office Equipment, Furniture & Fittings, Library Books and Other Assets	36,656	Depreciated historical cost assessed as fair value	Asset condition and remaining useful life
Community Land and Crown Land	2,116,343	Land values obtained from the NSW Valuer-General with internal assessment for reasonableness of VG value with adjustments where required.	VG value (price per square metre)
Land Under Roads	725	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset	VG value (price per square metre)
Land Improvements - Depreciable	13,457	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	532,329	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	497,997	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Unsealed	1,656	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Other Assets	226,343	Unit rates per m2 and length	Asset condition and remaining useful life
Bridges	11,199	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	113,433	Unit rates per m2 and length	Asset condition and remaining useful life
Drainage Infrastructure	854,997	Unit rates per m2 and length	Asset condition and remaining useful life
Swimming Pools	24,946	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	124,654	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	197,908	Replacement cost used to approximate fair value	Asset condition and remaining useful life

E2-1 Fair value measurement (continued)

\$ '000	<i>Fair value 2022</i>	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Asset Remediation	20,812	Cost model applied using Landfill Closure and Post Closure Report and Cost Estimate prepared by independent expert	Remaining life of site, pattern of consumption and potential latent conditions

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

\$ '000	<i>Total IPP&E</i>	
	<i>2022</i>	<i>2021</i>
Opening balance	4,642,338	4,612,546
Total gains or losses for the period		
Recognised in profit or loss – realised (refer to Note B4-1)	(276)	(1,632)
Other movements		
Purchases	64,836	60,902
Sales	(2,324)	(2,276)
Depreciation and impairment	(44,142)	(46,049)
Other Movements	2,545	8,008
Revaluations	110,478	10,839
Closing balance	4,773,455	4,642,338

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119 because the assets to the Scheme are pooled together for all Councils. Further information is provided under d) below.

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

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

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

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

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

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

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

- i) The plan is a defined benefit plan
- ii) The reasons why sufficient information is not available to enable the Council to account for the plan as a defined benefit plan is as follows:
 1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
 2. The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
 3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
 4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.
- iii) The expected contribution for the next annual reporting period is \$925,986.

E3-1 Contingencies (continued)

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	2,376.60	
Past Service Liabilities	2,380.70	99.80%
Vested Benefits	2,391.70	99.40%

*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	5.5% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. The estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2022.

- 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 \$509,762 as a percentage of the total past service contributions of all Pooled Employers (of \$40m for each year from 1 July 2019 to 31 December 2021 and \$20m for each year from 1 January 2022 to 31 December 2024) is 2.55% which provides an indication of the level of participation of Northern Beaches Council compared with other employers in the Pooled Employer subgroup.

(ii) Statewide Limited

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

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

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

(iii) Workers Compensation

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. Council provides bank guarantees to the value of \$4,791,000 to secure its self-insurance licence for workers compensation. The guarantee is provided to the State Insurance Regulatory Authority.

(iv) Other guarantees

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

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

2. Other liabilities

(i) Third party claims

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

E3-1 Contingencies (continued)

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

(ii) S7.11 and S7.12 Plans

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

(iii) Legal Expenses

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

At 30 June 2022, Council was party to 21 Class 1 appeals and 3 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 ordinarily unlikely to cost Council in excess of \$100,000 individually, the situation will depend on the circumstances of the specific proceedings and the amount of further costs cannot be known until these proceedings are concluded.

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

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

As a result, Council may be required to purchase the land in accordance with the provisions of the Land Acquisition (Just Terms Compensation) Act 1991.

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

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

(ii) Storm Damage Assistance

In the 2021/22 financial year, Council experienced major storm events in December 2021 and February/March 2022. Council is seeking Natural Disaster Relief funding through the Commonwealth and State Government arrangement. Claims from previous financial years are also under assessment for funding.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	3,526	3,574
Post-employment benefits	193	188
Other long-term benefits	156	96
Total	3,875	3,858

Other transactions with KMP and their related parties

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

During the financial years 2021/22 and 2020/21 there were no other transactions with KMP and their related parties.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
Council has 15 Councillors including the Mayor. The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	90	89
Councillors' fees	465	456
Other Councillors' expenses (including Mayor)	136	50
Total	691	595

F1-3 Other related parties

\$ '000	<i>Transactions during the year</i>	<i>Outstanding balances including commitments</i>	<i>Terms and conditions</i>
2022			
Subsidiary - Kimbriki Environmental Enterprises Pty Limited			
Tipping Fees	13,886	1,055	
Lease Income	3,481	601	Payable on the 1st of each month
Dividends	963	—	
2021			
Subsidiary - Kimbriki Environmental Enterprises Pty Limited			
Tipping Fees	12,466	875	
Lease Income	3,168	288	Payable on the 1st of each month
Dividends	3,853	—	

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
----------------	-------------	-------------

During the year, the following fees were incurred for services provided by the auditor of Council.

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	247	222
Remuneration for audit and other assurance services	247	222

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	61,630	91
Add / (less) non-cash items:		
Depreciation and amortisation	45,508	47,406
(Gain) / loss on disposal of assets	(960)	1,579
Non-cash capital grants and contributions	–	(820)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(17)	(67)
– Investment property	(320)	–
Unwinding of discount rates on reinstatement provisions	1,509	1,236
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(8,884)	(420)
Increase / (decrease) in provision for doubtful debts	21	(103)
(Increase) / decrease of inventories	(19)	25
(Increase) / decrease in other assets	(947)	(452)
Increase / (decrease) in payables	599	621
Increase / (decrease) in accrued interest payable	(27)	(60)
Increase / (decrease) in other accrued expenses payable	(1,462)	2,626
Increase / (decrease) in other liabilities	1,627	1,314
Increase / (decrease) in contract liabilities	(4,689)	13,999
Increase / (decrease) in employee leave entitlements	(3,162)	1,936
Increase / (decrease) in other provisions	(379)	1,107
Net cash flows from operating activities	90,028	70,018

(b) Non-cash investing and financing activities

Non Cash Contributions - Land and Infrastructure	–	820
Total non-cash investing and financing activities	–	820

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Land and Buildings ¹	4,493	16,275
Plant and equipment	899	956
Other	191	–
Infrastructure	11,944	8,447
Total commitments	17,527	25,678

Details of capital commitments

Contractual commitments for capital works currently being undertaken.

(1) Significant decrease in 2021/22 of Land and Buildings capital commitments due to purchase orders raised for Mona Vale Surf Life Saving Club \$8.4 million and Long Reef Surf Life Saving Club \$6.6 million in 2020/21

G3 Statement of developer contributions as at 30 June 2022

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	5,944	1,765	–	35	(402)	–	7,342	–
Roads	(5,852)	1,903	–	(27)	(201)	–	(4,177)	–
Open space	2,619	1,761	–	18	(154)	–	4,244	–
Community facilities	7,640	996	–	44	(242)	–	8,438	–
Other	567	535	–	4	(98)	–	1,008	–
Local Infrastructure (Repealed Plan) ¹	4,794	125	–	18	(2,757)	–	2,180	–
S7.11 contributions – under a plan	15,712	7,085	–	92	(3,854)	–	19,035	–
S7.12 levies – under a plan	12,346	7,714	–	79	(3,605)	–	16,534	–
Total S7.11 and S7.12 revenue under plans	28,058	14,799	–	171	(7,459)	–	35,569	–
S7.11 not under plans	87	–	–	1	–	–	88	–
S7.4 planning agreements	1,469	106	–	6	(709)	–	872	–
Less: Land	(72)	–	–	–	–	–	(72)	–
Total contributions	29,542	14,905	–	178	(8,168)	–	36,457	–

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

G3-2 Developer contributions by plan

	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
Former Manly Council - Residential, Commercial, Tourist, Other								
Local Infrastructure (Repealed Plan)	2,736	65	–	9	(1,449)	–	1,361	–
Total	2,736	65	–	9	(1,449)	–	1,361	–
Former Manly Council - Parking								
Local Infrastructure (Repealed Plan)	1,569	–	–	8	(759)	–	818	–
Total	1,569	–	–	8	(759)	–	818	–
Former Pittwater Council - Open Space, Public Library Services, Community Service Facilities, Village Streetscape								
Local Infrastructure (Repealed Plan)	489	60	–	1	(549)	–	1	–
Total	489	60	–	1	(549)	–	1	–
Former Pittwater Council - Contribution Plan - Warriewood Valley and Material Public Works								
Drainage	5,944	1,765	–	35	(402)	–	7,342	–
Roads	(5,852)	1,903	–	(27)	(201)	–	(4,177)	–
Open space	2,619	1,761	–	18	(154)	–	4,244	–
Community facilities	7,640	996	–	44	(242)	–	8,438	–
Other	(450)	112	–	(2)	(15)	–	(355)	–
Total	9,901	6,537	–	68	(1,014)	–	15,492	–
Dee Why Town Centre Contributions Plan								
Other	1,017	423	–	6	(83)	–	1,363	–
Total	1,017	423	–	6	(83)	–	1,363	–

S7.12 Levies – under a plan

Former Warringah Council - s7.12 Contribution Plan

Local Infrastructure (Repealed Plan)	6,316	557	–	31	(1,611)	–	5,293	–
Total	6,316	557	–	31	(1,611)	–	5,293	–

Northern Beaches Council - s7.12 Contribution Plan

Other	6,030	7,157	–	48	(1,994)	–	11,241	–
Total	6,030	7,157	–	48	(1,994)	–	11,241	–

G3-3 Contributions not under plans

	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
Former Manly Council								
Local Infrastructure (Repealed Plan)	15	–	–	1	–	–	16	–
Total	15	–	–	1	–	–	16	–
Former Warringah Council								
Land	72	–	–	–	–	–	72	–
Total	72	–	–	–	–	–	72	–

G3-4 S7.4 planning agreements

Other	1,469	106	–	6	(709)	–	872	–
Total	1,469	106	–	6	(709)	–	872	–

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	16,436	4.53%	(7.32)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	362,808			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	335,643	82.52%	87.42%	> 60.00%
Total continuing operating revenue ¹	406,760			
3. Unrestricted current ratio				
Current assets less all external restrictions	143,045	1.90x	1.69x	> 1.50x
Current liabilities less specific purpose liabilities	75,301			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	64,568	7.25x	2.81x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,911			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	8,539	3.63%	3.92%	< 5.00%
Rates and annual charges collectable	235,305			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	157,177	5.59 mths	5.13 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	28,130			

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Northern Beaches Council

To the Councillors of Northern Beaches Council

Opinion

I have audited the accompanying financial statements of Northern Beaches Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

28 September 2022
SYDNEY



Mayor
Northern Beaches Council
PO BOX 82
MANLY NSW 1655

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2218660/1772

28 September 2022

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 Northern Beaches Council

I have audited the general purpose financial statements (GPFS) of the Northern Beaches Council (Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on Council's GPFS.

This Report on the Conduct of the Audit (the Report) for Council for the year ended 30 June 2022 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

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	225.9	218.2	↑ 3.6
Grants and contributions revenue	71.1	46.0	↑ 54.6
Operating result from continuing operations	61.6	0.09	↑ high
Net operating result before capital grants and contributions	17.7	(26.5)	↑ 167

Rates and annual charges revenue (\$225.9 million) increased by \$7.8 million (3.6 per cent) in 2021–22 due to \$4.0 million increase in domestic waste and stormwater management charges, and rate peg increase of 2.0 per cent.

Grants and contributions revenue (\$71.1 million) increased by \$25.1 million (54.6 per cent) in 2021–22 mainly due to:

- \$6.8m increase in revenue from developer contributions
- \$4.9 million increase in revenue from specific purpose operational grants
- \$10.9 million increase in revenue from specific purpose capital grants.

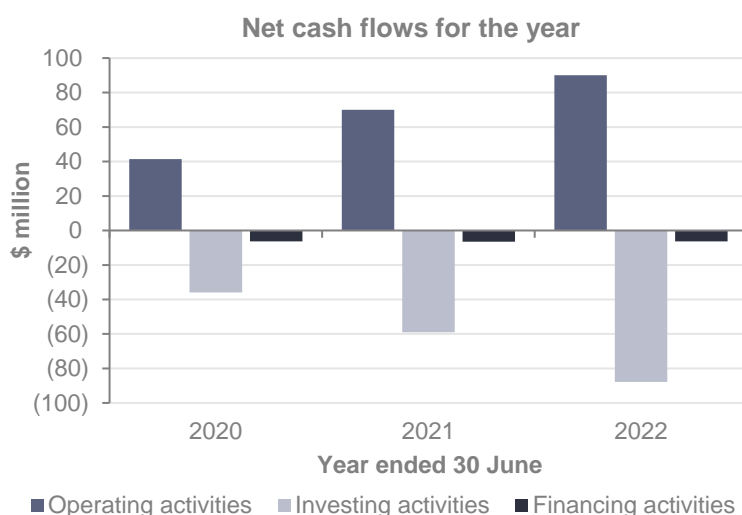
Council's operating result from continuing operations (\$61.6 million including depreciation and amortisation expense of \$45.5 million) was \$61.5 million higher than the 2020–21 result. This was mainly due to revenue increases outlined above plus expenses decreasing by \$19.3 million.

The net operating result before capital grants and contributions (\$17.7 million) benefited from the increase in operating result from continuing operations.

STATEMENT OF CASH FLOWS

Cash balances have increased due to the early receipt of 2023 grants including the financial assistance grant and emergency services levy and two large contributions to the Warriewood Development Contribution Plan

Net cash used in investing activities increased in the current year and net cash in financing activities was static.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	157.9	147.2	Externally restricted balances mainly comprise developer contributions and domestic waste management which have both increased in the current year.
Restricted cash and investments:			
• External restrictions	41.5	30.8	Balances are deemed internal allocations due to Council policy or decisions for forward plans including works program.
• Internal allocations	80.2	83.4	

Debt

At 30 June 2022, Council had:

- \$17.3 million in secured loans (\$22.3 million in 2020–21)
- \$5.5 million approved bank overdraft with nil drawn down.

PERFORMANCE

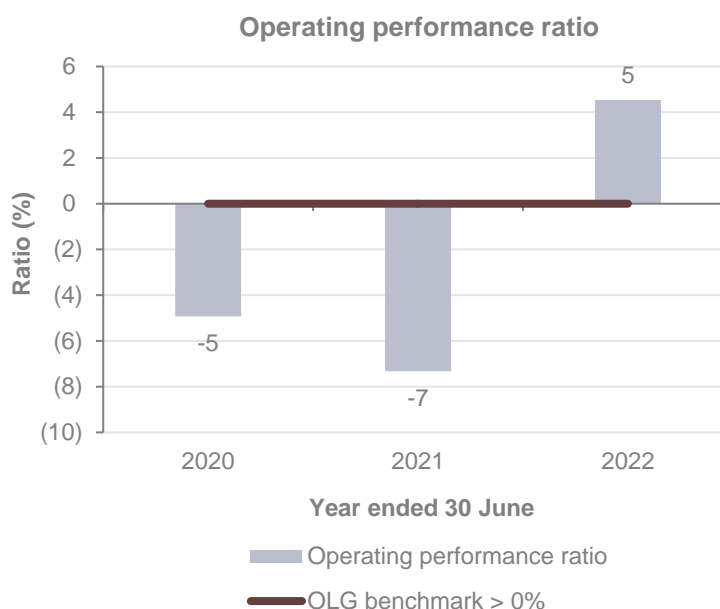
Performance measures

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

Operating performance ratio

Council met the OLG benchmark for the current financial year due to one off items plus post COVID-19 recovery. The negative result in recent years was mainly due to COVID-19 leading to lower revenues and higher costs.

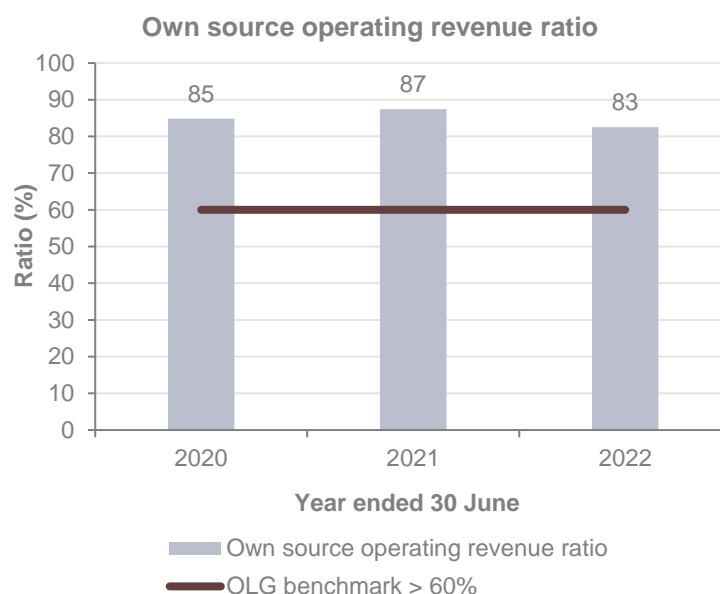
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continues to exceed the OLG benchmark for the current financial year.

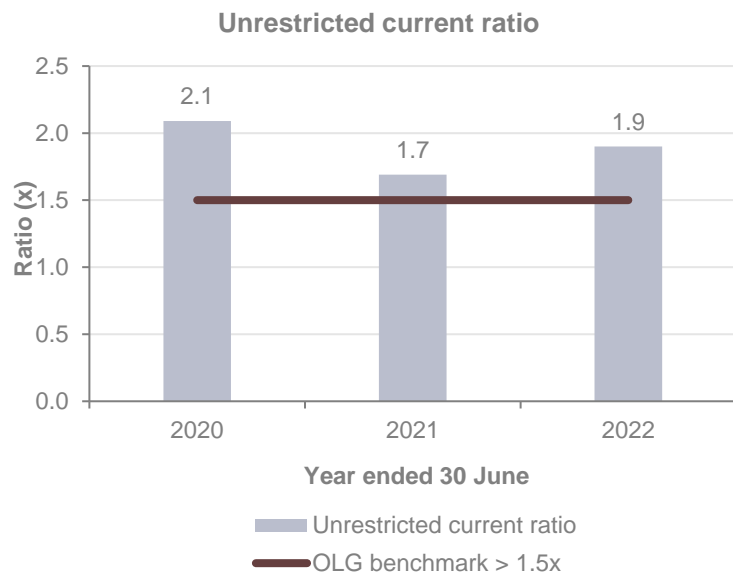
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the OLG benchmark for the current financial year.

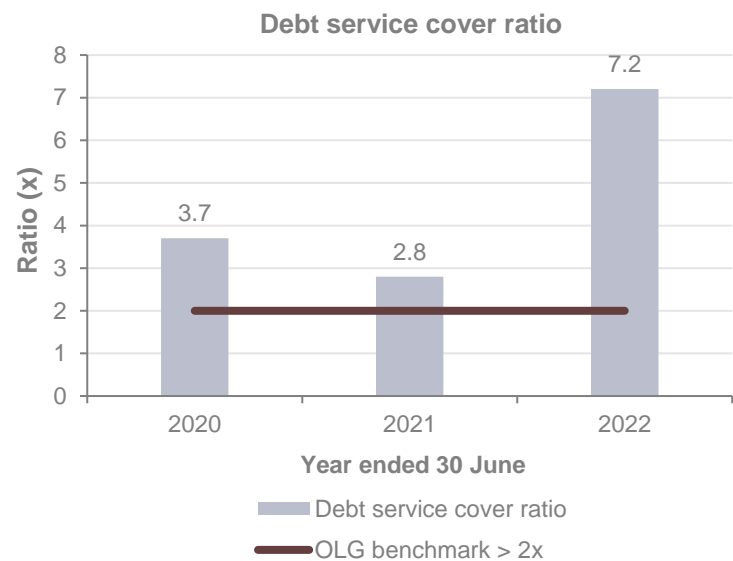
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to exceed the OLG benchmark for the current financial year. Council paid \$6.3 million in borrowings and lease payments in the current year.

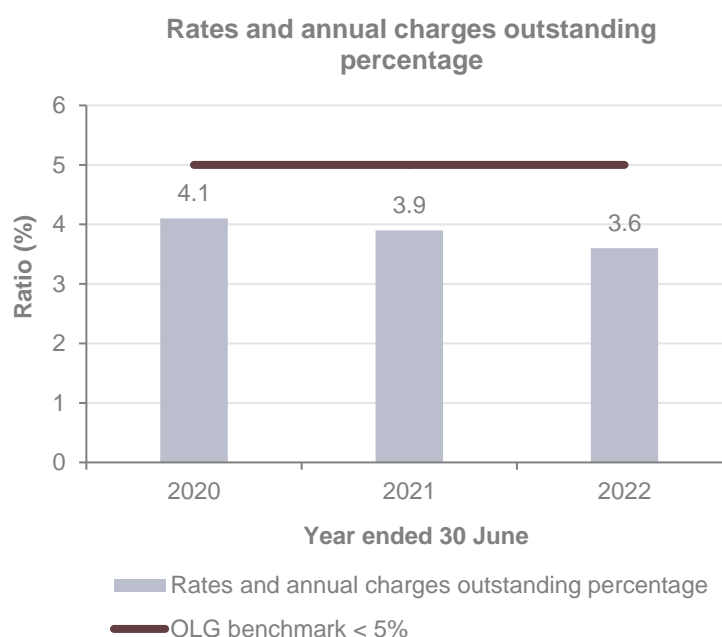
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council continues to meet the OLG benchmark for the current financial year.

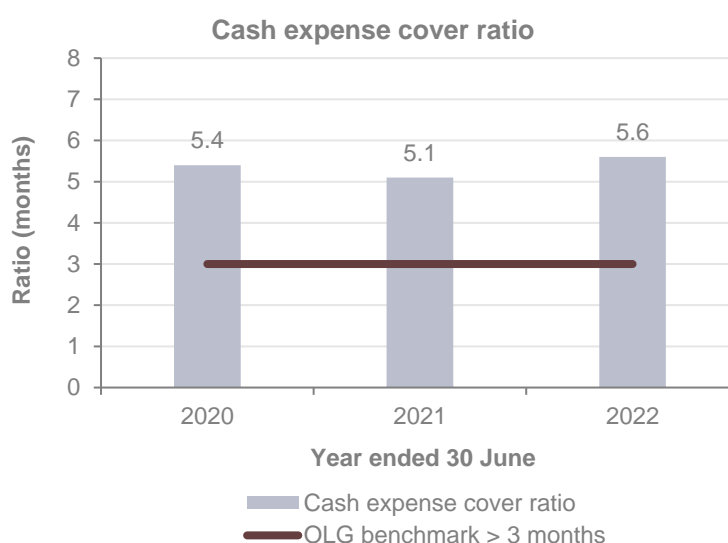
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council continues to exceed the OLG benchmark for the current financial year.

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



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$75.4 million in 2021–22 (\$43.6 million in 2020–21), including \$10.3 million on buildings and \$7.4 million on road renewals
- during 2021–22 new asset additions were \$66.1 million (\$47.4 million in 2020–21) including \$7.2 million on buildings and \$4.5 million on footpaths.

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Northern Beaches Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

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



northern
beaches
council

Northern Beaches Council

Special Schedules

for the year ended 30 June 2022

Contents	Page
Special Schedules:	
Permissible income for general rates	102
Report on infrastructure assets as at 30 June 2022	103
Independent Auditor's Report on Permissible Income for General Rates	105

Northern Beaches Council

Permissible income for general rates

\$ '000	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹		
Last year notional general income yield	173,165	177,226
Plus or minus adjustments ²	477	96
Notional general income	173,642	177,322
Permissible income calculation		
Special variation percentage ³	0.00%	2.40%
Or rate peg percentage	2.00%	0.00%
Plus special variation amount	–	4,256
Or plus rate peg amount	3,473	–
Sub-total	177,115	181,578
Plus (or minus) last year's carry forward total	–	2
Less valuation objections claimed in the previous year	–	(113)
Sub-total	–	(111)
Total permissible income	177,115	181,467
Less notional general income yield	177,226	181,507
Catch-up or (excess) result	(111)	(40)
Plus income lost due to valuation objections claimed ⁴	113	43
Carry forward to next year ⁵	2	3

Notes

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

Northern Beaches Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000									
Buildings	Buildings	5,966	5,966	13,584	15,910	532,329	735,672	54.0%	37.1%	7.6%	0.4%	0.9%
	Sub-total	5,966	5,966	13,584	15,910	532,329	735,672	54.0%	37.1%	7.6%	0.4%	0.9%
Roads	Sealed roads	8,572	8,572	8,268	8,171	497,997	565,179	47.6%	36.4%	12.4%	3.2%	0.4%
	Unsealed roads	41	41	13	38	1,656	1,927	25.2%	63.1%	6.3%	5.4%	0.0%
	Bridges	—	—	49	2	11,199	14,876	19.3%	80.0%	0.7%	0.0%	0.0%
	Footpaths	434	434	1,943	2,001	113,433	126,790	34.5%	50.1%	14.7%	0.7%	0.0%
	Other road assets	2,902	2,902	3,134	3,468	226,343	270,156	9.0%	62.6%	26.1%	1.9%	0.4%
	Sub-total	11,949	11,949	13,407	13,680	850,628	978,928	34.8%	46.1%	16.3%	2.5%	0.3%
Stormwater drainage	Stormwater drainage	18,712	18,712	3,925	2,509	854,997	1,036,493	6.6%	66.9%	22.2%	4.0%	0.3%
	Sub-total	18,712	18,712	3,925	2,509	854,997	1,036,493	6.6%	66.9%	22.2%	4.0%	0.3%
Open space / recreational assets	Swimming pools	297	297	1,604	1,057	24,946	30,774	25.7%	31.1%	41.0%	2.0%	0.2%
	Other	670	670	5,404	6,011	124,654	146,131	38.4%	48.0%	12.6%	0.9%	0.1%
	Sub-total	967	967	7,008	7,068	149,600	176,905	36.2%	45.1%	17.5%	1.1%	0.1%
Other infrastructure assets	Other	2,678	2,678	4,864	3,856	197,908	234,302	16.9%	59.6%	20.9%	2.3%	0.3%
	Sub-total	2,678	2,678	4,864	3,856	197,908	234,302	16.9%	59.6%	20.9%	2.3%	0.3%
Total – all assets		40,272	40,272	42,788	43,023	2,585,462	3,162,300	28.8%	51.8%	16.6%	2.4%	0.4%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Northern Beaches Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	35,252	112.67%	117.19%	> 100.00%
Depreciation, amortisation and impairment	31,288			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	40,272	1.53%	1.50%	< 2.00%
Net carrying amount of infrastructure assets ²	2,626,098			
Asset maintenance ratio				
Actual asset maintenance	43,023	100.55%	106.52%	> 100.00%
Required asset maintenance	42,788			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	40,272	1.26%	1.24%	
Gross replacement cost ³	3,202,936			

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) 2022 - Includes work in progress \$40.6m (2021 \$36.2m).

(3) 2022 - Includes work in progress \$40.6m. 2021 has been restated to include work in progress \$36.2m.



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 2023.

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 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

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

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

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



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

28 September 2022
SYDNEY