General Purpose and Special Purpose Financial Reports

1 July 2017 to 30 June 2018

northern beaches council

Northern Beaches Council

FINANCIAL COMMENTARY 2017/18

INTRODUCTION

This commentary provides the highlights of Council's 2017/18 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993, and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update No 26).

The Financial Statements are made up of the following:

- General Purpose Financial Statements – pages 11 to 96
- Special Purpose Financial Statements – pages 97 to 112
- Special Schedules – pages 113 to 122

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

2017/18 SUMMARY RESULTS

• Total Income from Continuing Operations	$391.112m
• Total Expenses from Continuing Operations	$312.643m
• Net Operating Surplus for the period	$78.469m
• Net Operating Surplus for the period before Capital Grants and Contributions	$24.870m

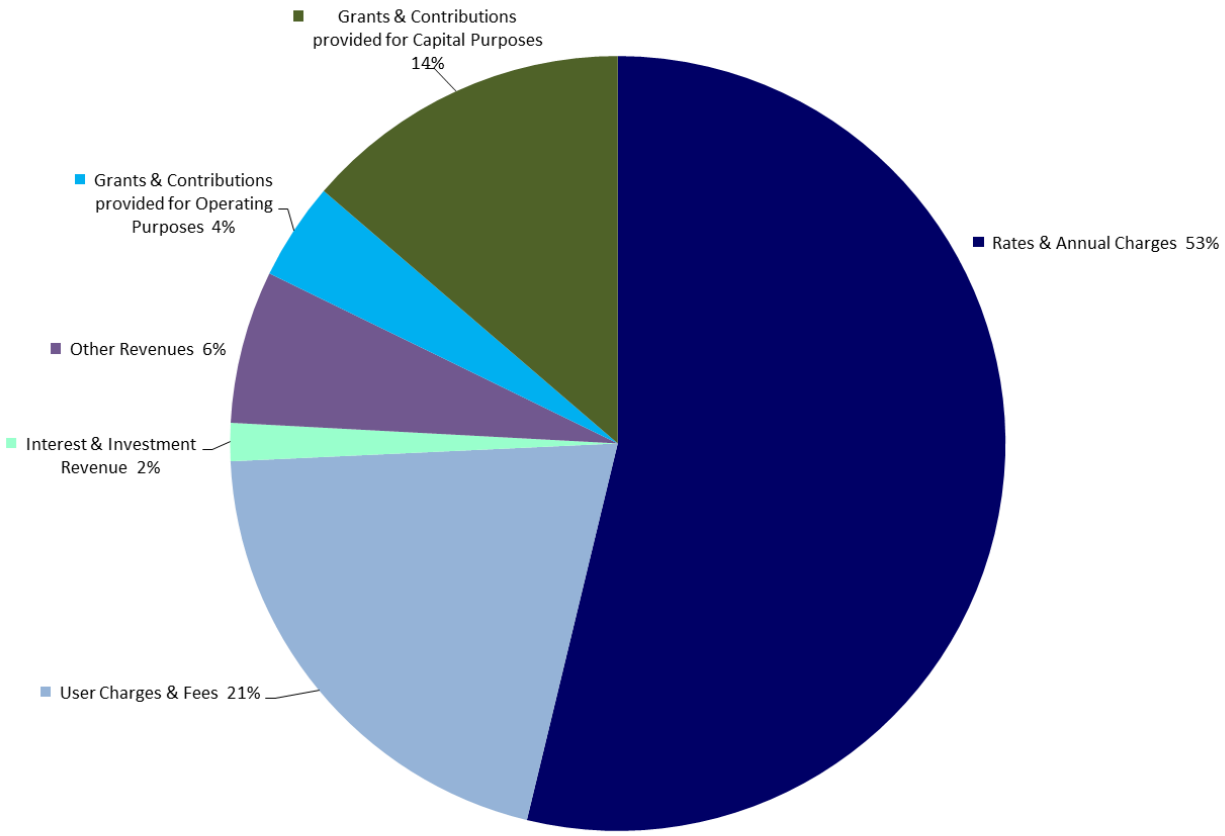
• New Capital Works	$47.710m
• Capital Renewal Works	$31.040m
• Total Capital Expenditure	$78.750m

• Total Assets	$5.153b
• Total Liabilities	$147.854m
• Net Assets	$5.005b

• Unrestricted Current Ratio	3.09x
• Debt Service Cover Ratio	4.62x
• Building & Infrastructure Renewals Ratio	99.79%

Northern Beaches Council

INCOME FROM CONTINUING OPERATIONS



Income Items	1 July 2017 - 30 June 2018 Actual ($'000)
Rates & Annual Charges	210,291
User Charges & Fees	80,170
Interest & Investment Revenue	6,195
Other Revenues	24,946
Grants & Contributions provided for Operating Purposes	15,911
Grants & Contributions provided for Capital Purposes	53,599
Total Income from Continuing Operations	**391,112**

Northern Beaches Council

Rates & Annual Charges

Total Rates and Annual Charges were $210.291m compared to an original budget of $210.179m.

Of this, total Rates were $155.545m and total Annual Charges were $53.455m. Annual Charges for the period are predominantly represented by domestic waste charges. This includes a provision of funds towards a new bin system roll-out associated with the implementation of the new waste collection contract from 1 July 2019.

User Charges & Fees

Total User Charges & Fees were $80.170m compared to an original budget of $79.725m.

The $80.170m comprised of $22.098m in tipping fees at the Kimbriki Waste & Recycling Centre and $58.072m in fees charged by Council for the services it provides. Major items within Council's $58.072m are Child Care Fees of $11.832m, Parking Fees of $11.802m, $6.980m from the Manly Boy Charlton and the Warringah Aquatic Centre swimming centres, $6.142m in Planning & Building Regulation fees and $5.677m from the Lakeside Caravan Park.

Interest & Investment Revenues

Total Interest and Investment Revenues were $6.195m compared to an original budget of $4.712m. This was due to higher than anticipated investment balances as a result of the receipt of $21.1m from Round 2 of the Stronger Communities Fund and the timing of capital expenditure.

Council's Cash and Investments at the end of the financial year totalled $218.294m. Council's investment portfolio performed strongly over the financial period returning an average of 2.66%, compared to the bank bill benchmark return of 1.76%.

Other Revenues

Total Other Revenues were $24.946m compared to an original budget of $22.802m. The total $24.946m comprised of $2.716m in other revenues at the Kimbriki Waste & Recycling Centre and $22.230m from Council operations. Major items within Council's $22.230m include $7.904m in Parking Fines, $4.710m from Leases & Licences, $3.794m from the rental of Council's properties and $1.062m in advertising income.

Grants & Contributions provided for Operating Purposes

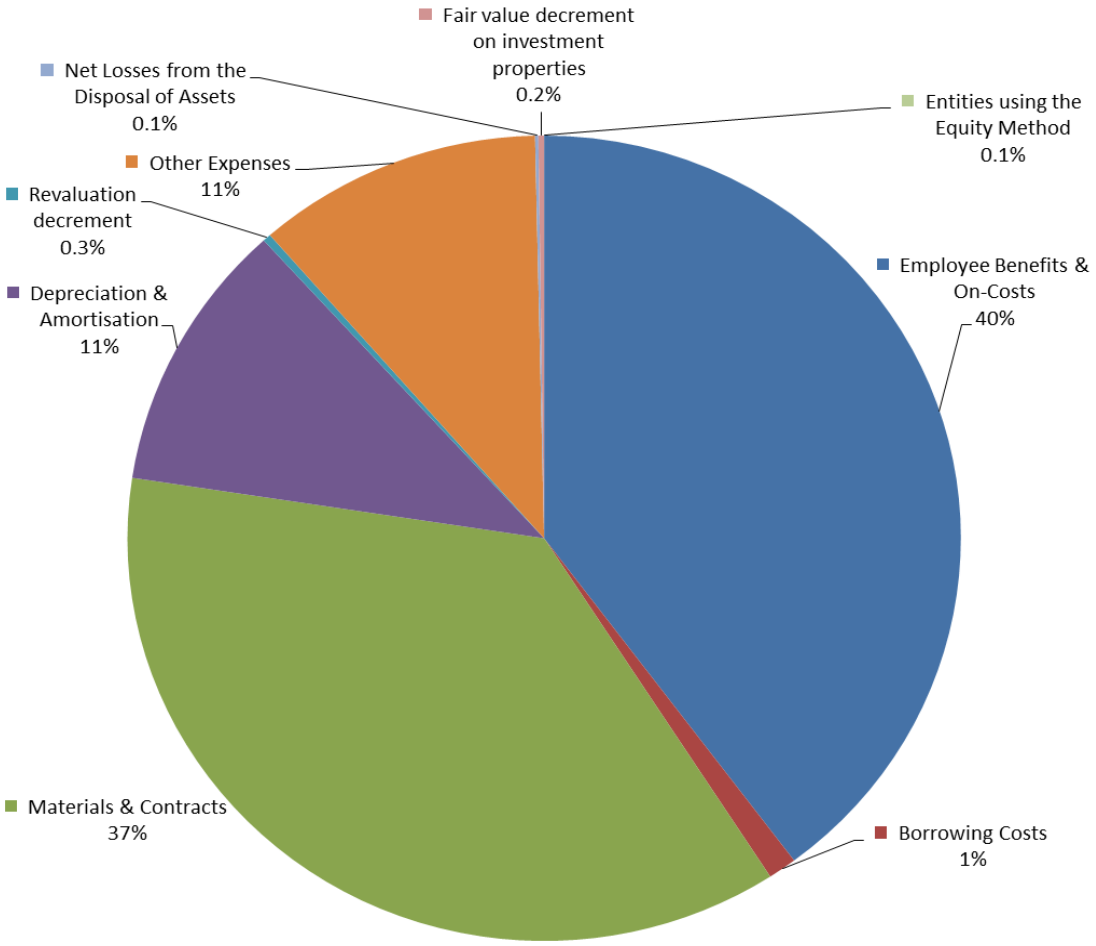
Total Grants & Contributions provided for Operating Purposes were $15.911m compared to an original budget of $12.395m. This was principally due to the advance payment of the first two instalments of the estimated 2018-19 Financial Assistance Grant totalling $3.973m.

Grants & Contributions provided for Capital Purposes

Total Grants & Contributions provided for Capital Purposes were $53.599m compared to an original budget of $20.858m. This was principally due to the receipt of $21.1m from the NSW Government under their Stronger Communities Fund program for larger scale priority infrastructure and services projects, other principal components included $10.544m in developer contributions, $6.5m from the Roads and Maritime Services relating to the B-Line and $7.3m representing the fair value of the Manly Memorial Hall.

Northern Beaches Council

EXPENSES FROM CONTINUING OPERATIONS



Expense Items	1 July 2017 - 30 June 2018 Actual ($'000)
Employee Benefits & On-Costs	124,306
Borrowing Costs	3,478
Materials & Contracts	114,200
Depreciation & Amortisation	33,919
Revaluation decrement	987
Other Expenses	34,665
Net Losses from the Disposal of Assets	390
Fair value decrement on investment properties	684
Entities using the Equity Method	14
Total Expenses from Continuing Operations	**312,643**

Employee Benefits & On-Costs

Total Employee Benefits & On-Costs were $124.306m compared to an original budget of $130.786m and represent 39.75% of Council's Total Expenses from Continuing Operations.

Borrowing Costs

Total Borrowing Costs were $3.478m for the financial period compared to an original budget of $3.972m. Borrowing Costs consists of interest on loans of $2.135m and the amortisation of discounts for remediation liabilities for the Kimbriki Waste Landfill $1.343m.

The lower than anticipated borrowing costs were principally due to lower interest rates on variable loans.

Materials & Contracts

Total Materials & Contracts were $114.2m compared to an original budget of $115.105. The total $114.2m comprised of $11.3m in expenses at the Kimbriki Waste & Recycling Centre and $102.9m relating to Council's operations. The major items within Council were $14.563m in waste disposal costs, $11.408m in garbage collection costs and $10.238m in maintenance & servicing.

Depreciation & Amortisation

Total Depreciation and Amortisation $33.919m compared to an original budget of $33.310m.

Other Expenses

Other Expenses were $34.665m for the financial period. Major items within this include $8.359m Waste Levy, $4.201m in electricity & heating, $5.82m relating to the NSW Government Emergency Services Levy, $2.885m in insurance costs and $3.882m for street lighting.

Net Loss from the Disposal of Assets

The Net Loss from the disposal of assets was $0.390m. This was principally due to the write down of projects which are either no longer proceeding or operational in nature.

Revaluation Decrement/Impairment of IPPE

Revaluation decrement/impairment of Infrastructure Property Plant & Equipment was $0.987m representing a reduction in the fair value of Council's buildings.

Fair Value Decrement on Investment Properties

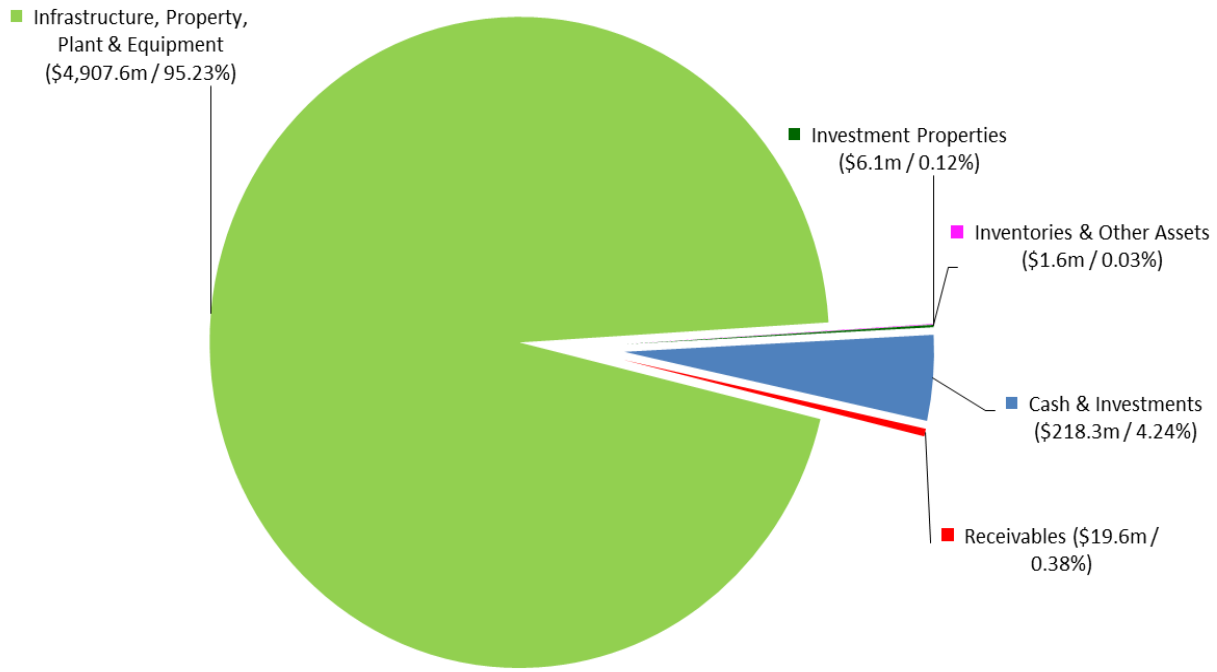
Fair value decrement on investment properties was $0.684m for the financial period representing a reduction in the fair value of Council's three investment properties.

Net Share of Interests in Joint Ventures and Associates Using the Equity Method

The Net share of interests in joint ventures using the equity method was $0.014m representing Council's share of the deficit of the Shorelink joint venture.

Northern Beaches Council

ASSETS



Asset Items	30 June 2018 Actual ($'000)
Current Assets	
Cash & Cash Equivalents	6,037
Investments	208,886
Receivables	18,379
Inventories	203
Other	1,375
Total Current Assets	**234,880**
Non Current Assets	
Investments	3,371
Receivables	1,234
Infrastructure, Property, Plant & Equipment	4,907,625
Investment Property	6,085
Total Non Current Assets	**4,918,315**
TOTAL ASSETS	**5,153,195**

Northern Beaches Council

ASSETS

Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments totalled $218.294m as at 30 June 2018. This represents an increase of $29.850m from the 2016-2017 balance. This is principally due to higher than anticipated Grants and Contributions and the timing of capital works.

Receivables

Receivables totalled $19.613m as at 30 June 2018. This is a decrease of $0.744m from the 2016-2017 balance principally due to the timing of the receipts of Grants and Contributions.

Inventories

Inventories totalled $0.203m as at 30 June 2018 and are represented by stores, materials and trading stock. This was comparable to the 2016-17 balance of $0.192m.

Other Assets

Other Assets are represented by Prepayments which totalled $1.375m at 30 June 2018. This represents a reduction of $0.135m from the 2016-17 balance and is principally due to the timing of invoicing by suppliers.

Infrastructure, Property, Plant and Equipment

Infrastructure, Property, Plant and Equipment totalled $4.908b as at 30 June 2018. This represents an increase of $208.299m from the 2016-17 balance.

During the financial year a full revaluation of Operational Land was undertaken and resulted in an increase in the valuation of $158.42million. This was credited to the Asset Revaluation Reserve.

A full revaluation of Buildings was also undertaken. The result was an adjustment to the values as follows:

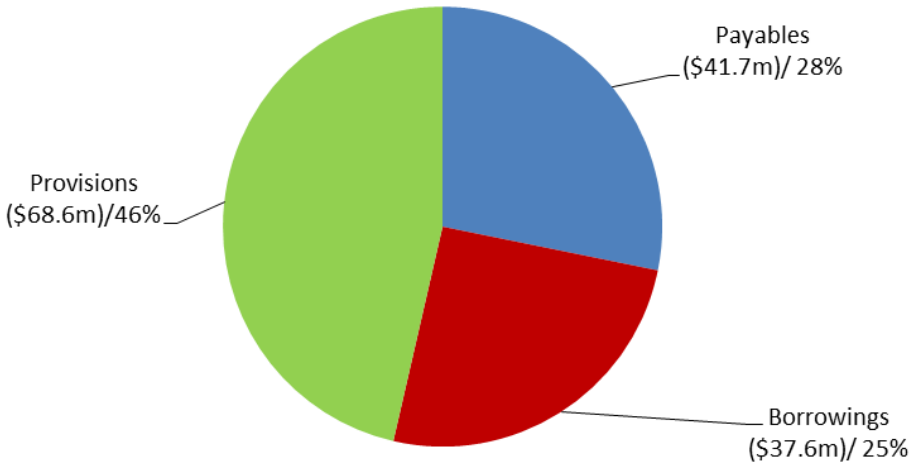
	Prior to Revaluation $'000	After Revaluation $'000	Movement $'000
Cost	557,237	623,860	66,623
Accumulated Depreciation	(91,915)	(159,526)	(67,610)
Total	**465,322**	**464,344**	**987**

The net decrease of $987 was debited to the Income Statement through the Revaluation Decrement/Impairment of IPPE.

Investment Property

Council's investment properties total $6.085m as at 30 June 2018. This represents an increase of $4,005m from the 2016-17 balance. Council transferred two properties located at Sydney Road Balgowlah ($2.982m) and Condamine Street Balgowlah ($1.707m) to Investment Properties. A revaluation was also undertaken of Council's three investment properties which resulted in a reduction in the total fair value of $0.684m which was debited to the Income Statement through the Fair Value Decrement on Investment Properties.

LIABILITIES



Liability Items	30 June 2018 Actual ($'000)
Current Liabilities	
Payables	41,671
Borrowings	5,225
Provisions	29,502
Total Current Laibilities	**76,398**
Non Current Liabilities	
Borrowings	32,358
Provisions	39,098
Total Non Current Laibiltities	**71,456**
TOTAL LIABILITIES	**147,854**

Payables

Payables totalled $41.671m at 30 June 2018 which represented a decrease of $3.187m from the 2016-2017 balance. The principal components of the balance were Accounts Payable and Accrued Expenses of $18.918m, Payments Received in Advance of $4.501m and Deposits and Retentions of $17.466m.

Borrowings

Borrowings totalled $37.583m at 30 June 2018 which represented a decrease of $10.435m from the 2016-2017 balance of $48.018m. Included in the decrease was the early repayment of loans totalling $5.2m.

Provisions

Provisions totalled $68.60m at 30 June 2018. This represents an increase of $17.999m from the 2016-2017 balance and is principally the result of an increase in the Asset Remediation Provision of $17.905m following the independent assessment in June 2018 by Mockinya Consulting.

KEY PERFORMANCE INDICATORS

	2018
Operating Performance	7.97%
Own Source Operating Revenue	82.23%
Unrestricted Current Ratio	3.12x
Debt Service Cover Ratio	4.62x
Rates & Annual Charges Outstanding Percentage	3.87%
Buildings & Infrastructure Renewals Ratio	99.79%
Infrastructure Backlog	0.51%
Asset Maintenance Ratio	116.98%
Cost to bring to agreed service level	0.44%

Operating Performance

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

Council's Operating Performance Indicator at 7.97% is above the benchmark of 0%.

Own Source Operating Revenue

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.

Council's Own Source Operating Revenue Indicator at 82.23% is well above the benchmark of 60% highlighting Council financial flexibility.

Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 7.11 developer contributions, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5.

Council's Unrestricted Current Ratio of 3.12 reflects Council's sound financial position.

Debt Service Cover Ratio

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

Council's Debt Service Cover Ratio of 4.62 is above the benchmark of 2.

Northern Beaches Council

Rates and Annual Charges Outstanding

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

Council maintains low levels of outstanding rates and annual charges particularly given that it may allow aged pensioners where in its opinion payment would cause hardship to accrue Rates and Charges against their estate.

Council's rates and annual charges outstanding ratio of 3.87% is within the benchmark of <5%.

Building and Infrastructure Renewal Ratio

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

Council's ratio of 99.79% is slightly below the benchmark of 100% and represents the timing of the completion of projects.

Infrastructure Backlog Ratio

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

Council's Infrastructure Backlog Indicator is 0.51% which is below the benchmark of 2% indicating that Council does not have a significant infrastructure backlog.

Asset Maintenance Ratio

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

Council's Asset Maintenance Ratio of 116.98% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.

Cost to Bring Assets to Agreed Service Level

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

This ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is easier for Councils to calculate with greater consistency year to year. Council's ratio of 0.44% 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 2018

Northern Beaches Council

General purpose financial statements

for the year ended 30 June 2018

Contents

	Page
Statement by Councillors and Management	13
Income Statement	14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Auditors' Reports	88

These Financial Statements are general purpose financial statements of Northern Beaches Council and its controlled entities and are presented in the Australian Currency.

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

These Financial Statements were authorised for issue by the Council on 25/09/18. Council has the power to amend and reissue the Financial Statements.

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

PRINCIPAL PLACE OF BUSINESS
725 Pittwater Road
Dee Why NSW 2099

OPENING HOURS
Monday to Friday
8.30am - 5.00pm

CONTACT DETAILS
Mailing Address:
DX 9118
Dee Why NSW 2099

Telephone: 02 9942 2111
Facsimile: 02 9971 4522
Internet: www.northernbeaches.nsw.gov.au
Email: council@northernbeaches.nsw.gov.au

OTHER INFORMATION
ABN: 57 284 295 198

AUDITORS
Audit Office of New South Wales

Northern Beaches Council

General purpose financial statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

The attached General Purpose Financial Report has been prepared in accordance with:

• *the Local Government Act 1993 (as amended)* and the Regulations made thereunder

• The Australian Accounting Standards and professional pronouncements.

• 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 period 01 July 2017 to 30 June 2018, and

• accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Northern Beaches Council made on 25/09/2018.

Michael Regan
Mayor
16/10/2018

Sarah Grattan
Councillor
16/10/2018

Ray Brownlee
Chief Executive Officer
16/10/2018

David Walsh
Responsible Accounting Officer
16/10/2018

Northern Beaches Council

Income Statement

for the year ended 30 June 2018

Original Unaudited Budget 2018 $'000		Notes	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
	Income from continuing operations			
	Revenue:			
210,179	Rates and annual charges	3a	210,291	208,075
79,725	User charges and fees	3b	80,170	85,891
4,712	Interest and investment revenue	3c	6,195	6,737
22,802	Other revenues	3d	24,946	25,266
12,395	Grants and contributions provided for operating purposes	3e,f	15,911	34,206
20,858	Grants and contributions provided for capital purposes	3e,f	53,599	41,486
	Other Income:			
500	Net gain from the disposal of assets	5	-	2,622
	Net share of interests in joint ventures and associates using the equity method	17	-	3
351,171	**Total income from continuing operations**		**391,112**	**404,286**
	Expenses from continuing operations			
130,786	Employee benefits and on-costs	4a	124,306	149,790
3,972	Borrowing costs	4b	3,478	4,907
115,105	Materials and contracts	4c	114,200	124,658
33,310	Depreciation and amortisation	4d	33,919	37,027
	Impairment of investments	4d	-	-
40,050	Other expenses	4e	34,665	38,958
	Interest and investment losses	3c	-	-
	Net loss from the disposal of assets	5	390	-
	Revaluation decrement/impairment of IPPE	4d	987	-
	Fair value decrement on investment properties	11	684	-
	Net share of interests in joint ventures and associates using the equity method	17	14	-
323,224	**Total expenses from continuing operations**		**312,643**	**355,340**
27,947	**Operating result from continuing operations**		**78,469**	**48,946**
	Operating Result from discontinued operations		-	-
27,947	**Net operating result for the period**		**78,469**	**48,946**
	Gain on local government amalgamation			
-	Assets and liabilities transferred from former Councils	27	-	4,718,682
27,947	**Net result for the period**		**78,469**	**4,767,628**
	Attributable to:			
28,039	**- Council**		78,305	4,767,709
(92)	**- Non-controlling Interests**		164	(81)
27,947			78,469	4,767,628
7,089	**Net operating result for the period before grants and contributions provided for capital purposes**		**24,870**	**7,460**

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 2018

	Notes	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
Net result for the period - from Income Statement		78,469	4,767,628
Other Comprehensive Income			
Amounts that will not be reclassified subsequent to operating result			
Gain on revaluation infrastructure property, plant and equipment		158,417	-
Total other Comprehensive Income for the period		158,417	-
Total comprehensive income for the period		**236,886**	**4,767,628**
Attributable to:			
- Council		236,722	4,767,709
- Non-controlling Interests		164	(81)

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

Northern Beaches Council

Statement of Financial Position

for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,037	29,820
Investments	6b	208,886	157,670
Receivables	7	18,379	18,671
Inventories	8	203	192
Other	8	1,375	1,510
Non-current assets classified as held for sale	9	-	-
Total current assets		**234,880**	**207,863**
Non-Current Assets			
Investments	6b	3,371	954
Receivables	7	1,234	1,686
Infrastructure, property, plant and equipment	10	4,907,625	4,699,326
Investments accounted for using the equity method	17	-	23
Investment property	11	6,085	2,080
Intangible assets	12	-	-
Inventories	8	-	-
Other	8	-	-
Total non-current assets		**4,918,315**	**4,704,069**
Total Assets		**5,153,195**	**4,911,932**
LIABILITIES			
Current liabilities			
Payables	13	41,671	44,858
Borrowings	13	5,225	5,411
Provisions	14	29,502	29,789
Total current liabilities		**76,398**	**80,058**
Non-current liabilities			
Payables	13	-	-
Borrowings	13	32,358	42,607
Provisions	14	39,098	20,812
Total non-current liabilities		**71,456**	**63,419**
Total Liabilities		**147,854**	**143,477**
Net assets		**5,005,341**	**4,768,455**
EQUITY			
Accumulated Surplus	15	4,846,014	4,767,709
Revaluation Reserves	15	158,417	-
Council Interest		5,004,431	4,767,709
Non-controlling equity interest		910	746
TOTAL EQUITY		**5,005,341**	**4,768,455**

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 2018

	Actual 2018					
	Accumulated Surplus	IPP&E revaluation reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity
Opening Balance	4,767,709	-	-	4,767,709	746	**4,768,455**
Correction of Errors	-	-	-	-	-	**-**
Changes in Accounting Policies	-	-	-	-	-	**-**
Restated Opening Balances	**4,767,709**		**-**	**4,767,709**	**746**	**4,768,455**
Net Operating Result for the year	78,305	-	-	78,305	164	**78,469**
Other Comprehensive Income	-	-	-	-	-	**-**
Gain (loss) on revaluation of Infrastructure, property, plant and equipment	-	158,417	-	158,417	-	**158,417**
Total Comprehensive Income	**78,305**	**158,417**	**-**	**236,722**	**164**	**236,886**
Transfers between Equity items	-	-	-	-	-	-
Closing Balance	**4,846,014**	**158,417**	**-**	**5,004,431**	**910**	**5,005,341**

	Actual 2017					
	Accumulated Surplus	IPP&E revaluation reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity
Transfer on Amalgamation	-	-	-	-	827	**827**
Correction of Errors	-	-	-	-	-	**-**
Changes in Accounting Policies	-	-	-	-	-	**-**
Restated Opening Balances	**-**	**-**	**-**	**-**	**827**	**827**
Net Operating Result for the period	4,767,709	-	-	4,767,709	(81)	**4,767,628**
Other Comprehensive Income	-	-	-	-	-	**-**
Total Comprehensive Income	**4,767,709**	**-**	**-**	**4,767,709**	**(81)**	**4,767,628**
Dividends Paid to Minority Interests	-	-	-	-	-	-
Closing Balance	**4,767,709**	**-**	**-**	**4,767,709**	**746**	**4,768,455**

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 2018

Original Unaudited Budget 2018 $'000		Notes	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
	Cash flows from operating activities			
	Receipts:			
210,179	Rates and annual charges		208,776	237,802
79,265	User charges and fees		80,916	81,673
4,712	Investment revenue and interest		5,180	7,375
33,253	Grants and contributions		64,989	74,922
-	Deposits and retentions received		17,466	16,619
22,802	Other		23,220	28,297
	Payments:			
(130,683)	Employee benefits and on-costs		(124,744)	(149,533)
(110,205)	Materials and contracts		(115,516)	(130,292)
(291)	Borrowing costs		(2,108)	(4,038)
-	Deposits and retentions refunded		(16,619)	(14,795)
(40,016)	Other		(34,161)	(38,188)
69,016	**Net cash provided from (or used in) operating activities**	16(b)	**107,399**	**109,842**
	Cash flows from investing activities			
	Receipts:			
-	Sale of investments		272,929	328,956
-	Sale of investment property		-	-
2,150	Sale of infrastructure, property, plant & equipment		3,964	3,213
-	Sale of non current assets held for resale		-	16,079
	Payments:			
-	Purchase of investment securities		(326,531)	(317,915)
(116,065)	Purchase of infrastructure, property, plant and equipment		(71,109)	(94,800)
-	Purchase of intangibles		-	(1,203)
(45)	Purchase of inventory		-	-
(113,960)	**Net cash provided from (or used in) investing activities**		**(120,747)**	**(65,670)**
	Cash Flows from financing activities			
	Receipts:			
7,815	Borrowings and advances		-	-
	Payments:			
(8,328)	Borrowings and advances		(10,435)	(41,784)
-	Finance lease liabilities		-	(7)
	Dividends Paid to Minority Interests		-	-
(513)	**Net cash provided from (or used in) financing activities**		**(10,435)**	**(41,791)**
(45,457)	**Net increase(/decrease) in cash and cash equivalents**		**(23,783)**	**2,381**
29,820	**Cash and cash equivalents at beginning of reporting period**		29,820	27,439
(15,637)	**Cash and cash equivalents at end of reporting period**	16(a)	**6,037**	**29,820**

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes to the Financial Statements

Note	Details	Page
1	Basis of preparation	20
2(a)	Functions or activities	25
2(b)	Components of functions or activities	26
3	Income from continuing operations	27
4	Expenses from continuing operations	34
5	Gain or Loss from the disposal of assets	41
6(a)	Cash and cash equivalents	42
6(b)	Investments	43
6(c)	Restricted cash, cash equivalents and investments	45
7	Receivables	47
8	Inventories and other assets	48
9	Non-current assets classified as held for sale	49
10	Infrastructure, property, plant and equipment	50
11	Investment properties	54
12	Intangible assets	55
13	Payables and borrowings	54
14	Provisions	59
15	Accumulated Surplus and Revaluation Reserves	63
16	Statement of Cash Flow Information	64
17	Interests in other entities	66
18	Commitments for expenditure	68
19	Contingencies	69
20	Financial risk management	71
21	Material budget variations	75
22	Fair value measurement	76
23	Related party disclosures	79
24	Events after the reporting date	80
25	Statement of developer contributions	81
26	Statement of performance measures - consolidated results	86
27	Local Government Amalgamation	87

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Basis of Preparation

These financial statements were authorised for issue by Council on 25/09/2018. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act (1993) (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Northern Beaches Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

(a) New and amended standards adopted by Council

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

- AASB 2016 - 1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016 - 2 Disclosure Initiative - Amendment to AASB 107
- AASB 2016 - 4 Disclosure Initiative - Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-For-Profit Entities
- AASB 2016 - 2 Disclosure Initiative - Amendments to Australian Accounting Standards - Further Annual Improvements 2014 - 2016 cycle
- AASB 124 Related Party Disclosures was adopted during the year. The impact of this standard had no impact on reporting financial position or performance, however additional disclosures have been included.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

(i) estimated fair values of investment properties - refer Note 11

(ii) estimated fair values of infrastructure, property, plant and equipment - refer Note 10

(iii) estimated tip remediation provisions - refer Note 14

(iv) employee benefit provisions - refer Note 14

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Basis of Preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- general purpose operations
- Kimbriki Environmental Enterprises Pty Limited

(b) The Trust Fund

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.
Receivables and payables within the statement of financial position are stated inclusive of any applicable GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the statement of financial position.

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018. Northern Beaches Council's assessment of the impact of these new standards and interpretations relevant to them is set out on the following pages.

Northern Beaches Council has not applied any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Basis of Preparation (continued)

AASB 9 Financial Instruments and Associated Amending Standards

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB9 which requires Councils to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The available-for-sale investments held will be classified at fair value through OCI and will no longer be subject to impairment testing. The impairment loss recognised in the current period financial statements in relation to these statements was $Nil.

The model for determining impairment losses in relation to receivables will be amended. The impact of the new model has not yet been quantified, although some impairment may be recognised earlier. Other impacts on the reported financial position and performance have not yet been determined.

The effective date is annual reporting periods beginning on or after 1 January 2018.

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

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

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

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

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

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

AASB16 Leases

AASB16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low- value assets which may remain off the balance sheet.

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

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

Whilst the impact of AASB16 has not yet been fully determined, Council currently has $536,000 of operating leases which are likely to be brought to account. This will result in a non-current right of use asset and recognition of a lease liability which will be separated into a current and non-current component.

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Basis of Preparation (continued)

AASB 15 Revenue from contracts with customers and associated amending standards

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

Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.
AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

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

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to Councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.
AASB 1058 applies when a Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the Council's objective is principally to enable the asset to further the council's objectives. In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

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

(a) contributions by owners

(b) revenue, or a contract liability arising from a contract with a customer

(c) a lease liability

(d) a financial instrument

(e) a provision

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

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

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

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

This standard makes changes to the following standards:

- AASB1 - deletes some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- AASB 128 - clarify that:

  (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and

  (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- AASB 140 - reflects the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Basis of Preparation (continued)

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

This standard makes the following amendments to existing standards:

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

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

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

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

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

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

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

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

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(a) Functions or activities

Functions/Activities	Income, expenses and assets have been directly attributed to the following functions or activities. Details of these functions or activities are provided in Note 2(b)									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current & non-current)	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Governance	1,272	1,934	8,020	10,020	(6,748)	(8,086)	-	-	-	-
Administration	63,097	49,456	80,879	74,483	(17,782)	(25,027)	21,330	25,449	3,000,565	2,804,130
Public Order & Safety	9,009	9,155	16,268	20,530	(7,259)	(11,375)	-	100	1,217	3,402
Health	2,058	3,954	4,711	8,238	(2,653)	(4,284)	-	-	-	-
Environment	81,002	94,628	95,361	122,288	(14,359)	(27,660)	1,191	3,430	828,557	811,800
Community Services & Education	13,774	15,772	17,010	22,286	(3,236)	(6,514)	1,734	2,217	12,517	24,463
Housing & Community Amenities	6,323	4,976	15,437	16,572	(9,114)	(11,596)	759	1,188	41,677	-
Recreation & Culture	17,480	18,338	51,237	52,532	(33,757)	(34,194)	1,332	1,897	405,213	421,924
Transport & Communications	20,162	28,411	19,152	23,143	1,010	5,268	6,379	4,893	851,726	827,147
Economic Affairs	7,273	12,520	4,554	5,248	2,719	7,272	-	-	11,723	19,066
Total functions & activities	**221,450**	**239,144**	**312,629**	**355,340**	**(91,179)**	**(116,196)**	**32,725**	**39,174**	**5,153,195**	**4,911,932**
Shares of gains or losses in associates & joint ventures using equity method	-	3	14	-	(14)	3	-	-	-	-
General Purpose Income[1]	169,662	165,139	-	-	169,662	**165,139**	8,786	12,283	-	-
Operating result for the financial period	**391,112**	**404,286**	**312,643**	**355,340**	**78,469**	**48,946**	**41,511**	**51,457**	**5,153,195**	**4,911,932**

[1] As reported in the Income Statement

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(b) Components of functions or activities

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

Governance
Governance: includes costs relating to Council's role as a component of democratic government, including elections, councillors' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration
Administration: includes corporate support and other support services, engineering works and any Council policy compliance.

Public order and safety
Public order and safety: includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health
Health: includes immunisation, food control, health centres etc.

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

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

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

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

Transport and communication
Transport and communication (urban local, urban regional): includes sealed and unsealed roads, bridges, footpaths and parking areas

Economic affairs
Economic affairs: includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; markets; and other business undertakings.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(a) Rates & annual charges		
Ordinary Rates		
Residential	129,691	122,540
Farmland	14	28
Business	25,840	24,633
Total ordinary rates	**155,545**	**147,201**
Special Rates		
Business	1,291	1,206
Annual Charges (pursuant to s496, s501 & s611)		
Domestic Waste Management Services	52,384	58,620
Stormwater management services charge	874	946
Section 611 charges	197	102
Total Annual Charges	**53,455**	**59,668**
TOTAL RATES & ANNUAL CHARGES	**210,291**	**208,075**

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

Accounting policy for rates and charges

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Waste Management Services (non-domestic)	493	458
Total user charges	**493**	**458**
Fees		
Advertising Fees	837	652
Caravan Park	5,677	6,113
Cemeteries	724	611
Child Care	11,832	12,449
Coastal Environmental Centre	220	266
Community Centres	2,046	2,389
Currawong State Park	368	380
Dog Registration	164	12
Film Permits	126	190
Glen Street Theatre	1,245	1,343
Golf Course	2,025	2,212
Kimbriki Waste & Recycling Centre	22,098	24,528
Leaseback Fees - Council Vehicle	786	906
Libraries	186	136
Parking Areas	11,802	11,363
Pittwater Rugby Park	966	303
Planning & Building Regulation	6,142	6,172
Regulatory/ Statutory Fees	664	645
Restoration Charges	1,556	1,463
Road & Shop Inspection	409	409
Section 149 Certificates (EPA Act)	744	842
Section 603 Certificates	380	432
Swimming Centres	6,980	6,934
Other	1,700	4,683
Total fees	**79,677**	**85,433**
Total user charges and fees	**80,170**	**85,891**

Accounting policy for user charges and fees

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(c) Interest and investment revenue		
Interest & Dividends		
- Overdue Rates & Annual Charges	487	559
- Overdue User Charges and Fees	-	-
- Cash and Investments	5,677	6,227
Fair Value Adjustments		
- Investments	31	(49)
Total interest and investment revenue	**6,195**	**6,737**
Interest revenue is attributable to:		
Unrestricted Investments/Financial Assets:		
Overdue Rates & Annual Charges	487	559
General Council Cash & Investments	4,820	5,074
Restricted Investments/Funds - External:		
Development Contributions		
- Section 7.4	5	
- Section 7.11	565	759
- Section 7.12	318	345
Total interest and investment revenue	**6,195**	**6,737**

Accounting policy for interest and investment revenues

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(d) Other revenues		
Ex Gratia Rates	24	23
Fair Value increments - Investment Properties	-	180
Commission & Agency Fees	40	13
Animal Management	33	113
Advertising Income	1,062	712
Lease Rental	4,710	3,508
Health & Compliance Fines	509	124
Diesel Rebate	80	32
Other Revenues - Kimbriki	2,716	2,580
Insurance Claim Recoveries	320	79
Legal Fees Recovery - Rates & Charges (Extra Charges)	77	198
Legal Fees Recovery - Other	278	715
Other Fines	665	539
Parking Fines	7,904	7,100
Recycling Income (non domestic)	277	889
Rental Income - Investment Properties	316	196
Rental Income - Other Council Properties	3,478	3,393
Sales - General	154	419
Sullage Income/Sponsorship	97	10
Other Revenues	2,206	4,443
Total other revenue	**24,946**	**25,266**

Accounting policy for other revenue

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

- Parking fees and fines are recognised as revenue when receivable from the State Debt Recovery Office.

- Rental income is accounted for on a straight line basis over the lease term

- Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(e) Grants				
General purpose (untied)				
Financial Assistance - General Component	5,555	8,901	-	-
Financial Assistance - Local Roads Component	2,226	2,415	-	-
Pensioners' Rates Subsidies - General Component	1,005	967	-	-
Total general purpose	**8,786**	**12,283**	**-**	**-**
Specific purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	383	559	-	-
New Council Implementation Fund	-	10,000	-	-
Stronger Communities Fund	-	1,000	21,100	14,000
Bushfire & Emergency Services	-	100	-	-
Child Care	913	1,618	-	-
Coast & Estuaries	59	1,088	402	-
Community Care	810	599	-	-
Community Centres	82	182	-	373
Environmental Protection	499	1,659	-	99
Heritage & Cultural	141	63	-	-
Library	233	181	486	493
LIRS Subsidy	695	309	-	-
Noxious Weeds	77	24	-	-
Recreation & Culture	-	435	165	172
Street Lighting	759	1,188	-	-
Transport (Roads to Recovery)	-	663	2,046	1,699
Transport (Other Roads & Bridges Funding)	615	387	3,260	2,144
Other	-	139	-	-
Total specific purpose	**5,266**	**20,194**	**27,459**	**18,980**
Total grants	**14,052**	**32,477**	**27,459**	**18,980**
Grant revenue is attributable to:				
- Commonwealth Funding	8,337	12,822	2,046	1,775
- State Funding	5,660	19,655	25,399	17,205
- Other	55	-	14	-
	14,052	**32,477**	**27,459**	**18,980**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(f) Contributions				
Developer contributions:				
(s7.4 and s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
- S 7.11 - contributions towards amenities/services	-	-	5,612	11,844
- S 7.12 - fixed development consent levies	-	-	3,896	5,545
- S 7.4 - contributions using planning agreements	-	-	1,036	-
Non-cash contributions				
Other developer contributions	-	-	-	-
Total developer contributions	**-**	**-**	**10,544**	**17,389**
Other Contributions:				
Cash contributions				
Bushfire Services	797	324	329	29
Coast & Estuaries	-	4	-	-
Recreation & Culture	274	532	351	-
RMS Contributions (Regional/Local, Block Grant)	709	578	525	1,294
Footpath	-	-	-	418
Community Services	47	38	6,771	445
Community Land	32	21	7,620	2,922
Other	-	232	-	9
Non-cash contributions				
Subdivision dedications (other than by s7.11)	-		-	-
Other	-		-	-
Total other contributions	**1,859**	**1,729**	**15,596**	**5,117**
Total contributions	**1,859**	**1,729**	**26,140**	**22,506**
Total grants and contributions	**15,911**	**34,206**	**53,599**	**41,486**

Accounting policy for grants and contributions

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

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(g) Unspent grants and contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating Grants		
Operating grants recognised in the current period that have not been spent	930	8,586
Operating grants recognised in a previous reporting periods that have been spent in the current reporting period	(2,966)	(1,845)
Net increase/(decrease) in operating grants during the current reporting period	**(2,036)**	**6,741**
Capital Grants		
Capital grants recognised in the current period that have not been spent	21,747	24,518
Capital grants recognised in a previous reporting periods that have been spent in the current reporting period	(4,709)	(13,144)
Net increase/(decrease) in capital grants during the current reporting period	**17,038**	**11,374**
Contributions		
Contributions recognised in the current period that have not been spent	11,431	18,678
Contributions recognised in a previous reporting periods that have been spent in the current reporting period	(16,632)	(16,815)
Net increase/(decrease) in contributions during the current reporting period	**(5,201)**	**1,863**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(a) Employee Benefits & On-Costs		
Salaries and Wages	101,611	114,761
Employee Termination Costs	95	4,807
Travelling	122	119
Employee Leave Entitlements (ELE)	11,077	15,903
Superannuation	10,782	12,531
Workers' Compensation Insurance	1,190	990
Fringe Benefit Tax (FBT)	634	788
Training Costs (other than Salaries & Wages)	1,452	1,241
Recruitment Costs	316	114
Other	967	1,321
Total Employee Costs	**128,246**	**152,575**
Less: Capitalised Costs	(3,940)	(2,785)
Total employee costs expensed	**124,306**	**149,790**

Accounting policy for employee benefits and on-costs

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

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

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

Superannuation

Defined Benefit Superannuation Contribution Plans

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of $40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

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

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.
However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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

i) Wind-up of the plan

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

ii) Council's withdrawal from the plan

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

d) Additional information under paragraph 34 of AASB119

i) The plan is a defined benefit plan

ii) The reasons why sufficient information is not available to enable the Council to account for the plan as a defined benefit plan is as follows:

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

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

iii) The expected contributions of fee plan for the next annual reporting period are $1,891,184.

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 2018 is:

Employer reserves only*	$millions	Asset Coverage
Assets	1,817.80	
Past Service Liabilities	1,787.50	101.70%
Vested Benefits	1,778.00	102.20%

*excluding member accounts and reserves in both assets and liabilities

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

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

*Plus promotional increases

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

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

Council's additional lump sum contribution per annum of $1,063,000 as a percentage of the total additional lump sum contributions for all Pooled Employers (of $40m each year from 1 July 2017 to 30 June 2021) is 2.66% which provides an indication of the level of participation of Council compared with other employers in the Pooled Employer subgroup.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(b) Borrowing Costs		
Interest on Loans	2,135	3,740
Charges on Finance Leases	-	-
Amortisation of Discounts and Premiums		
- Remediation Liabilities	1,343	1,167
Less: Capitalised Costs	-	-
Total borrowing costs expensed	**3,478**	**4,907**

Accounting policy for borrowing costs

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(c) Materials & contracts		
Raw Materials & Consumables		
- Bank Charges	921	772
- Computer Software	3,486	3,018
- Maintenance & Servicing	10,238	11,836
- Membership Fees & Subscriptions	641	943
- Minor Equipment	1,139	773
- Plant & Vehicle	2,736	2,516
- Postage	621	700
- Stationery & Printing	729	1,104
- Other	5,616	5,211
Contractor & Consultancy Costs		
- Agency Personnel	5,479	5,671
- Bush Regeneration	3,689	2,991
- Cleaning	3,451	2,743
- Consultancy	1,293	3,494
- Coast & Waterways	758	768
- Election Expenses	1,122	-
- External Roadwork	2,106	985
- Garbage	11,408	13,514
- Kimbriki Waste & Recycling Centre	11,300	13,485
- Lifeguard Services	1,125	1,075
- New Council Implementation Fund	831	1,569
- Parking	1,149	528
- Performance Fees	533	479
- Recycling	5,821	5,249
- State Debt Recovery Office Processing Fees	1,250	1,380
- Stormwater	793	999
- Tree Works	3,839	3,643
- Waste Disposal	14,563	16,182
- Other	13,847	16,984
Remuneration of Auditors [1]		
- Audit Services	264	245
- Other Services	1	8
Legal Fees:		
- Planning & Development	1,367	2,250
- Other	2,245	2,506
Operating Leases:		
- Printers	259	335
- Other	121	750
Less: Capitalised Costs	(541)	(48)
Total materials and contracts	**114,200**	**124,658**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

Accounting policy for operating leases

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

[1.] Auditors' remuneration

Auditors of the Council - NSW Auditor General:		
a. During the period the following fees were paid or payable for services provided by the Auditor-General		
(i) Audit and other assurance services		
Audit and review of financial statements	264	223
Total remuneration for audit and other assurance services	**264**	**223**
b. During the period the following fees were paid or payable for services provided by other auditors:		
(i) Audit and other assurance services		
Audit and review of financial statements	-	22
Other assurance services	1	8
Total remuneration for audit and other assurance services	**1**	**30**
(ii) Other services		
Other	-	-
Total remuneration for other services	**-**	**-**
Total remuneration of auditors	**265**	**253**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(d) Depreciation, Amortisation & Impairment		
Depreciation and amortisation		
Plant and Equipment	3,574	4,259
Office Equipment	1,504	3,103
Furniture & Fittings	76	295
Property, Plant & Equipment - Leased	-	37
Land Improvements (depreciable)	1,010	1,115
Infrastructure:		
- Buildings	5,645	6,086
- Roads Sealed	6,537	6,713
- Roads Unsealed	1	8
- Roads Other Assets	1,094	1,125
- Bridges	65	74
- Footpaths	773	453
- Stormwater Drainage	6,483	7,299
- Swimming Pools	435	493
- Open space/recreational assets	2,818	2,799
- Other Infrastructure	1,869	1,589
Other Assets		
- Library Books	1,040	1,303
Tip Asset	995	276
Total depreciation and amortisation	**33,919**	**37,027**
Revaluation decrement of IPPE		
Infrastructure:		
- Buildings	987	-
Total impairment costs (IPPE)	**987**	**-**
Total depreciation and impairment	**34,906**	**37,027**

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

The $987,000 is a revaluation decrement on the fair value of Council's buildings.

Depreciation and amortisation are calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations (continued)

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
(e) Other Expenses		
Other Expenses for the period include the following:		
Advertising	887	1,143
Bad & Doubtful Debts	162	173
Mayoral Fee	63	-
Councillors' Fees	326	-
Councillors' (include. Mayor) Expenses	138	-
Contributions to Other Levels of Government		
- Planning Levy	639	666
- Waste Levy	8,359	9,821
- Emergency Services Levy	5,820	5,761
- Other Levies	127	817
Contributions & Donations (Section 356)	573	1,975
Data Services	758	601
Electricity & Heating	4,201	5,711
Fair Value Adjustment Investment Properties	-	-
Insurance	2,885	3,283
Interest on Bonds & Deposits	74	161
Land Tax	286	281
Management Fees	1,614	1,500
SHOROC Contributions	-	75
Street Lighting	3,882	3,171
Telephone & Communications	1,063	1,306
Valuation Fees	522	441
Other	2,286	2,072
Total other expenses	**34,665**	**38,958**

Accounting policy for other expenses

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5 Gain or loss from the disposal of assets

	Year Ended 30 June 2018 $'000	Period 13 May 2016 to 30 June 2017 $'000
Property (excl. Investment Property)		
Proceeds from Disposal	1,515	487
less: Carrying Amount of Property Assets Sold	(374)	-
Net gain/(loss) on disposal	**1,141**	**487**
Plant & Equipment		
Proceeds from Disposal	2,442	2,726
less: Carrying Amount of P&E Assets Sold	(1,794)	(2,048)
Net gain/(loss) on disposal	**648**	**678**
Office Equipment & Furniture		
Proceeds from Disposal	-	-
less: Carrying Amount of OE&F Assets Sold	-	(6)
Net gain/(loss) on disposal	**-**	**(6)**
Infrastructure		
Proceeds from Disposal	7	-
less: Carrying Amount of Infrastructure Assets Sold	(723)	(1,131)
Net gain/(loss) on disposal	**(716)**	**(1,131)**
Capital Work in Progress		
Proceeds from Disposal	-	-
less: Carrying Amount of Capital Work in Progress	(1,463)	(577)
Net gain/(loss) on disposal	**(1,463)**	**(577)**
Financial Assets		
Proceeds from Disposal	272,929	328,956
less: Carrying Amount of Financial Assets Sold	(272,929)	(328,956)
Net gain/(loss) on disposal	**-**	**-**
Non Current Assets Classified as "Held for Sale"		
Proceeds from Disposal	-	16,079
less: Carrying Amount of "Held for Sale" Assets Sold	-	(7,742)
Net gain/(loss) on disposal	**-**	**8,337**
Intangibles		
Proceeds from Disposal	-	-
less: Carrying Amount of Intangibles	-	(5,166)
Net gain/(loss) on disposal	**-**	**(5,166)**
Net gain/(loss) on disposal of assets	**(390)**	**2,622**

Accounting policy for disposal of assets

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is derecognised.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a) Cash and cash equivalents

	Actual 2018 $'000	Actual 2017 $'000
Cash at Bank and on Hand	894	9,806
Deposits at Call	5,143	20,014
Total Cash & Cash Equivalents	**6,037**	**29,820**

Accounting policy for cash and cash equivalents

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b) Investments

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
Financial Assets at fair value through				
Profit and Loss - Held for Trading	-	871	-	954
Held to Maturity Investments	208,886	2,500	157,670	-
Total	**208,886**	**3,371**	**157,670**	**954**
Financial Assets at fair value through				
Profit and Loss - Held for Trading				
Opening Balance	-	954	-	-
Transfer on amalgamation	-	-	-	1,079
Revaluation to Income Statement	-	31	-	(49)
Additions	-	-	-	-
Disposals	-	(114)	-	(76)
Transfers between Current/Non-Current	-	-	-	-
At end of period	**-**	**871**	**-**	**954**
Comprising of:				
Mortgage Backed Securities	-	871	-	954
	-	**871**	**-**	**954**
Held to Maturity Investments				
Opening Balance	157,670	-	-	-
Transfer on amalgamation	-	-	168,635	-
Amortisation of discounts and premiums	-	-	-	-
Additions	318,031	8,500	312,915	5,000
Disposals	(272,815)	-	(328,880)	-
Transfers between Current/Non-Current	6,000	(6,000)	5,000	(5,000)
At end of period	**208,886**	**2,500**	**157,670**	**-**
Comprising of:				
Term Deposits	208,886	2,500	157,670	-
FRNs	-	-	-	-
	208,886	**2,500**	**157,670**	**-**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b) Investments (continued)

Accounting policy for investments

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

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

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

(b) Held-to-maturity investments

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

Recognition and de-recognition
Regular purchases and sales of investments are recognised on trade date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Investments are de-recognised when the rights to receive cash flows have expired or have been transferred, and Council has transferred substantially all the risks and rewards of ownership.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
Total Cash, Cash Equivalents and Investments	**214,923**	**3,371**	**187,490**	**954**
External Restrictions (refer below)	91,743	3,371	76,718	954
Internal Restrictions (refer below)	40,895	-	37,671	-
Unrestricted	82,285	-	73,101	-
	214,923	**3,371**	**187,490**	**954**

	2018 restricted cash $'000	2017 restricted cash $'000
External Restrictions - Included in Liabilities		
Nil		
External Restrictions - Other		
Developer contributions - general (A)	36,184	41,385
Specific purpose unexpended grants (B)	3,611	2,914
Domestic waste management (C)	21,365	14,239
Stormwater management (C)	646	131
RMS contributions (D)	12	12
New council implementation fund (B)	1,266	3,317
Stronger communities fund (B)	31,310	14,954
Other	720	720
External Restrictions - Other	95,114	77,672
Total External Restrictions	**95,114**	**77,672**

A Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans (refer Note 25).

B Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).

C Domestic Waste Management (DWM) are externally restricted assets and must be applied for the purposes for which they were raised.

D RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

	2018 restricted cash $'000	2017 restricted cash $'000
Internal Restrictions		
Balgowlah area improvements	295	757
Cemetery reserve	3,683	3,300
Church Point car park	-	1,719
Church Point precinct loan	-	2,045
Community development	-	487
Deposits, retentions & bonds	12,599	11,882
Employees leave entitlement	6,181	6,055
Environmental levy (former Manly Council)	1,827	1,644
Long Reef SLSC renewal	79	171
Manly wharf forecourt	-	50
Meals on Wheels	230	222
Narrabeen synthetic sportsfield	-	257
Road Reserve	-	96
Shelly Beach improvements	-	9
Special rates variation	4,509	2,982
Merger savings fund	9,596	4,537
Tennis liaison trust fund	283	317
Unexpended loans	1,479	663
Other	134	478
Total Internal Restrictions	**40,895**	**37,671**
Total Restrictions	**136,009**	**115,343**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7 Receivables

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
Purpose				
Rates and annual charges	6,951	972	4,978	1,430
Interest and extra charges	245	262	224	256
User charges and fees	6,025	-	7,706	-
Accrued revenues				
- Interest on Investments	2,221	-	1,233	-
- Other income accruals	-	-	-	-
Government Grants & subsidies	1,764	-	4,863	-
Net GST Receivable	1,745	-	50	-
Total	**18,951**	**1,234**	**19,054**	**1,686**
less: Provision for impairment				
Rates & Annual Charges	-	-	-	-
User Charges & Fees	(572)	-	(383)	-
Total provision for impairment - receivables	**(572)**	**-**	**(383)**	**-**
Total net receivables	**18,379**	**1,234**	**18,671**	**1,686**
Externally Restricted Receivables				
Domestic Waste Management	1,434	139	1,304	329
Total External Restrictions	**1,434**	**139**	**1,304**	**329**
Internally Restricted Receivables				
Nil	-	-	-	-
Unrestricted Receivables	**16,945**	**1,095**	**17,367**	**1,357**
Total net receivables	**18,379**	**1,234**	**18,671**	**1,686**

Accounting policy for receivables

Recognition and Measurement
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
Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8 Inventories & other assets

	Actual 2018		Actual 2017	
	Current	Non-Current	Current	Non-Current
	$'000	$'000	$'000	$'000
Inventories				
At cost:				
Stores & materials	116	-	128	-
Trading stock	87	-	64	-
Total inventories	**203**	**-**	**192**	**-**
Inventories not expected to be realised within the next 12 months	**-**	**-**	**-**	**-**
Other assets				
Prepayments	1,268	-	1,510	-
Other	107	-	-	-
Total other assets	**1,375**	**-**	**1,510**	**-**
Total inventories & other assets	**1,578**	**-**	**1,702**	**-**

Note:

Refer to Note 22 Fair value measurement for information regarding the fair value of other assets held.

Accounting policy for inventories and other assets

Stores, materials and trading stock

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

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9 Non-current assets classified as held for sale

$ '000	Actual 2018 $'000	Actual 2017 $'000
Land	-	-
Buildings	-	-
Total Non-Current Assets Held for Sale	**-**	**-**
Transfer on amalgamation	-	9,707
Proceeds on disposal	-	(16,079)
Gain on disposal	-	8,337
Transfer to infrastructure property, plant and equipment	-	(1,966)
Other	-	1
Balance at the end of the financial period	**-**	**-**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 10 Infrastructure, property, plant & equipment

	At 30 June 2017			Other Asset Movements during the Reporting Period						At 30 June 2018		
By asset class	Gross Carrying Amount	Accumulated Depreciation & Impairment	Carrying value	Renewals	New Assets	Carrying Value of Disposals	Depreciation and Impairment	Transfers	Revaluation Increments/ (decrements)	Gross Carrying Amount	Accumulated Depreciation & Impairment	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Capital Work in Progress	28,651	-	28,651	8,450	7,114	(1,463)	-	(26,513)	-	16,239	-	16,239
Plant & Equipment	27,401	14,700	12,701	5,576	91	(1,794)	(3,574)	318	-	28,826	15,508	13,318
Office Equipment	15,920	10,856	5,064	797	1,408	-	(1,504)	296	-	18,417	12,356	6,061
Furniture & Fittings	2,009	1,816	193	7	-	-	(76)	30	-	2,046	1,892	154
Land:												
- Operational Land	280,120	-	280,120	-	-	(58)	-	1,190	158,417	439,669	-	439,669
- Community Land	2,073,518	-	2,073,518	-	6,994	(316)	-	(2,411)	-	2,077,785	-	2,077,785
- Land Under Roads	367	-	367	-	20	-	-	4	-	391	-	391
Land Improvements - depreciable	8,492	1,604	6,888	378	-	-	(1,010)	1,094	-	9,969	2,619	7,350
Infrastructure:												
- Buildings	542,366	86,353	456,013	10,249	8,503	(88)	(5,645)	734	(987)	628,794	160,015	468,779
- Roads Sealed	516,602	39,695	476,907	3,516	6,907	(19)	(6,537)	735		527,130	45,621	481,509
- Roads Unsealed	1,061	58	1,003	-	-	-	(1)	(714)	-	322	34	288
- Bridges	10,362	538	9,824	10	1,261	-	(65)	-	-	11,633	603	11,030
- Footpaths	78,717	9,706	69,011	972	7,738	(89)	(773)	1	-	86,932	10,072	76,860
- Other Road Assets	203,222	18,716	184,506	1,221	2,584	(71)	(1,094)	(30)	-	206,764	19,648	187,116
- Stormwater Drainage	936,458	137,106	799,352	4,134	2,524	(192)	(6,483)	(325)	-	942,365	143,355	799,010
- Swimming Pools	28,811	2,807	26,004	379	-	-	(435)	-	-	28,995	3,047	25,948
- Other Open Space/Recreational Assets	114,963	10,471	104,492	2,029	4,142	(93)	(2,818)	(335)	-	119,788	12,371	107,417
- Other Infrastructure	161,774	14,290	147,484	3,155	6,419	(171)	(1,869)	847	-	171,375	15,510	155,865
Other Assets:												
- Library Books	13,665	10,361	3,304	958	147	-	(1,040)	-	-	14,770	11,401	3,369
- Other	4,424	-	4,424	11	100	-	-	-	-	4,535	-	4,535
- Tip Asset	11,629	2,129	9,500	16,427	-	-	(995)	-	-	28,057	3,125	24,932
Total	**5,060,532**	**361,206**	**4,699,326**	**58,269**	**55,952**	**(4,354)**	**(33,919)**	**(25,079)**	**157,430**	**5,364,802**	**457,177**	**4,907,625**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 10 Infrastructure, property, plant & equipment (continued)

	Actual 2018 $'000	Actual 2017 $'000
Renewals		
Capital expenditure during year	31,040	44,179
Amounts capitalised to Tip Asset	16,427	-
Amounts capitalised during year transferred from WIP	10,802	807
TOTAL	**58,269**	**44,986**

	Actual 2018 $'000	Actual 2017 $'000
New Assets		
Capital expenditure during year	47,710	53,652
Amounts capitalised during year transferred from WIP	8,242	14,374
TOTAL	**55,952**	**68,026**

Note:

Refer to Note 22 Fair value measurement for information regarding the fair value of I,P,P & E.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 10 Infrastructure, property, plant & equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

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

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

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.
For all asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 year cycle.
Increases in the carrying amounts arising on revaluation are credited to the revaluation 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.

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 & Equipment		
Office Equipment	4 - 10	years
Office Furniture	10 - 20	years
Vehicles	5 - 8	years
Heavy Plant and Road Making Equipment	5 - 8	years
Other Plant and Equipment	5 - 15	years
Other Equipment		
Playground Equipment	5 - 15	years
Benches, seats etc	10 - 20	years
Park Structures - Masonry	50 - 100	years
Park Structures - Other Construction	20 - 40	years
Buildings		
Buildings - Masonry	50 - 100	years
Buildings - Other	20 - 40	years

Stormwater Drainage		
Drains	60 - 100	years
Transportation Assets		
Sealed Roads - Surface	15 - 40	years
Sealed Roads - Structure	75 - 200	years
Bridge - Concrete	100	years
Bridge - Other	100	years
Road Pavements	50 - 60	years
Kerb, Gutter & Paths	80	years
Other Assets		
Library Books	5 - 15	years
Artworks	Indefinite	

The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 10 Infrastructure, property, plant & equipment (continued)

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Any land under roads that was recognised before 1 July 2008 was derecognised at 1 July 2008 against the opening balance of retained earnings. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment.

Crown Reserves

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

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

Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, '*all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the Council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*'. Until such time as discussions on this matter have concluded and the legislation changed, Council will exclude these assets including plant and vehicles and depreciation charges within the financial statements.

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11 Investment properties

	Actual 2018 $'000	Actual 2017 $'000
At Fair value		
Opening Balance at 1 July	2,080	1,900
Acquisitions	-	-
Capitalised subsequent expenditure	-	-
Classified as held for sale or disposals	-	-
Net gain (loss) from fair value adjustment	(684)	180
Transfer (to) from inventories and owner occupied property	4,689	-
Closing Balance at 30 June	6,085	2,080
(a) Amounts recognised in profit and loss for investment property		
Rental income	317	196
Net gain (loss) from fair value adjustment	(684)	180
Direct operating expenses from property that generated rental income	(24)	(6)
Direct operating expenses from property that did not generate rental income	-	-
	(391)	**370**
(b) Leasing Arrangements		
The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows.		
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	282	182
Later than 1 year but less than 5 years	171	48
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	**453**	**230**

Accounting policy for investment property

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12 Intangible assets

	Actual 2018 $'000	Actual 2017 $'000
At Cost		-
Accumulated Amortisation & Impairment		-
Net Book Amount	-	-
Movements for the period		
Opening Net Book Amount	-	3,963
Additions - internal development	-	1,203
Write Off	-	(5,166)
Amortisation Charge		-
Closing Net Book Amount	**-**	**-**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 13 Payables and borrowings

	Actual 2018		Actual 2017	
	Current	Non-Current	Current	Non-Current
	$'000	$'000	$'000	$'000
Payables				
Goods & services	499	-	818	-
Accrued expenses				
- Borrowings	355	-	463	-
- Wages and salaries	338	-	361	-
- Other	17,726	-	20,037	-
Payments received In advance	4,501	-	5,634	-
Deposits & retentions	17,466	-	16,619	-
Other Payables	786	-	926	-
Total Payables	**41,671**	**-**	**44,858**	**-**
Current Payables not expected to be settled within the next 12 months				
Deposits & Retentions	11,735	-	12,499	-
Total	**11,735**	**-**	**12,499**	**-**
Borrowings				
Loans - Secured[(1)]	5,225	32,358	5,411	42,607
Total Borrowings	**5,225**	**32,358**	**5,411**	**42,607**
Total payables and borrowings	**46,896**	**32,358**	**50,269**	**42,607**

Notes:

[(1)]Loans are secured over the income of Council

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 13 Payables and borrowings (continued)

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
(a) Liabilities relating to Restricted Assets				
Externally Restricted Assets				
Domestic Waste Management	2,619	-	2,258	
Total	**2,619**	**-**	**2,258**	**-**
Internally Restricted Assets				
Security Bonds, Deposits & Retentions	12,599	-	11,882	-
Total	**12,599**	**-**	**11,882**	**-**
Total Liabilities relating to restricted assets	**15,218**	**-**	**14,140**	**-**
Liabilities related to unrestricted assets	**31,678**	**32,358**	**36,129**	**42,607**
Total	**46,896**	**32,358**	**50,269**	**42,607**

(b) Changes in liabilities arising from financing activities

	2017	Cash Flows	Non-cash changes			2018
			Acquisition	Fair value changes	Other non-cash movement	
Loans:						
- secured	48,018	(10,435)	-	-	-	37,583
- unsecured	-	-	-	-	-	-
Finance lease liability	-	-	-	-	-	-
Other (specify if material)	-	-	-	-	-	-
Total liabilities from financing activities	**48,018**	**(10,435)**	**-**	**-**	**-**	**37,583**

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

NOTE 13 Payables and borrowings (continued)

(c) Financing arrangements

	Actual 2018 $'000	Actual 2017 $'000
Total facilities		
The amount of total financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	1,000	1,400
- Corporate credit cards	150	198
	1,150	**1,598**
Drawn facilities		
The amount of financing facilities drawn down at the reporting date is:		
- Bank overdraft facility	-	-
- Corporate credit cards	30	-
	30	**-**

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

Undrawn facilities		
The amount of undrawn financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	1,000	1,400
- Corporate credit cards	120	198
	1,120	**1,598**

Accounting policy for payables and borrowings

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.
Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 14 Provisions

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
Provisions				
Employee Benefits				
Annual Leave	10,006	-	9,883	-
Sick Leave	387	-	455	-
Long Service Leave	18,451	1,895	19,089	1,827
Other Leave	155	-	46	-
Gratuities	8	-	17	-
Total - Aggregate employee benefits	**29,007**	**1,895**	**29,490**	**1,827**
Self Insurance - Workers Compensation	495	998	299	685
Asset Remediation	-	36,205	-	18,300
Total Provisions	**29,502**	**39,098**	**29,789**	**20,812**
Current Provisions not expected to be settled within the next 12 months	**16,227**	**-**	**16,602**	**-**

	Actual 2018		Actual 2017	
	Current $'000	Non-Current $'000	Current $'000	Non-Current $'000
Liabilities relating to Restricted Assets				
Internally Restricted Assets				
Employee Leave Entitlements	5,556	379	6,055	-
Total	**5,556**	**379**	**6,055**	**-**
Total Liabilities relating to restricted assets	**5,556**	**379**	**6,055**	**-**
Liabilities related to unrestricted assets	**23,946**	**38,719**	**23,734**	**20,812**
Total	**29,502**	**39,098**	**29,789**	**20,812**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 14 Provisions (continued)

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

(a) Description of and movement in provisions

	Self Insurance	Asset Remediation
	$'000	$'000
At beginning of year	984	18,300
Amounts used	(356)	-
Revised Costs	-	-
Additional Provisions	865	17,905
TOTAL	**1,493**	**36,205**

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

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

- Claims Escalation of 2.5% per annum and Bond Yields of between 1.810% and 3.492% 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 2018;
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at June 2018;

The last actuarial assessment of Workers Compensation claims was undertaken in July 2018 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

b. Asset Remediation Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations. Council is required by law to restore the present tip site at Kimbriki to passive open space at the end of its useful life. The projected cost of this restoration is $145.8 million based on a Landfill Closure and Post Closure Management Evaluation of Costs Report and has been discounted to its present value at 4.26% per annum being the risk-free cost of borrowing to Council. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Mockinya Consulting in June 2018.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 14 Provisions (continued)

Accounting policy for provisions

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

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

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

Employee Benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Self-insurance

Council has decided to self-insure for Worker Compensation. A provision for self-insurance has been made to recognise outstanding claims.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 14 Provisions (continued)

Accounting policy for provisions (continued)

Provisions for close down and restoration and for environmental clean up costs – Tips

Restoration

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

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

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

Rehabilitation

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

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

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15 Accumulated surplus and revaluation reserves

	Notes	Actual 2018 $'000	Actual 2017 $'000
(a) Accumulated Surplus			
Movements in Accumulated Surplus were as follows:			
Balance at beginning of period		4,767,709	-
Net Result for the period		78,305	4,767,709
Balance at end of period		**4,846,014**	**4,767,709**
(b) Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve	10	158,417	-
Total		**158,417**	**-**

(c) Nature and Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16 Statement of cash flows information

	Notes	Actual 2018 $'000	Actual 2017 $'000
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,037	29,820
Balances as per Statement of Cash Flows		**6,037**	**29,820**
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		**78,469**	**48,946**
Add:			
Depreciation and Amortisation		33,919	37,027
Revaluation Decrement		987	-
Decrease in Other Current Assets		135	638
Decrease in Receivables		564	32,508
Decrease in Inventories		-	66
Decrease in Equity Share in Joint Venture		14	-
Increase in Payables		-	-
Increase in Provision for Doubtful Debts		189	-
Increase in Provision for Leave Entitlements		-	972
Increase in Other Provisions		1,987	1,475
Loss on Disposal of Assets		390	-
Fair Value Adjustments to Investment Property		684	-
Fair Value Adjustments to Financial Assets through Profit and Loss		-	49
		117,338	121,681
Less:			
Decrease in Provision for Doubtful Debts		-	(552)
Increase in Equity Share in Joint Venture		-	(3)
Increase in Inventories		(11)	-
Decrease in Payables		(1,305)	(5,449)
Decrease in Accrued Interest Payable		(108)	(298)
Decrease in Other Current Liabilities		(449)	(2,735)
Decrease in Leave Entitlements		(415)	-
Non Cash Contributions		(7,620)	-
Gain on Disposal of Assets		-	(2,622)
Fair Value Adjustments to Investment Property		-	(180)
Fair Value Adjustments to Financial Assets through Profit and Loss		(31)	-
Net Cash provided from (or used in) operating activities from Statement of Cash Flows		**107,399**	**109,842**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16 Statement of cash flows information (continued)

	Notes	Actual 2018 $'000	Actual 2017 $'000
(c) Non-Cash Investing & Financing Activities			
Non Cash Contributions - Land and Buildings		7,620	
		7,620	**-**
(d) Financing Arrangements			
Unrestricted access was available at balance date to the following:			
Bank Overdraft Facilities[1]		1,000	1,400
Corporate Credit Cards		150	198
Bank Guarantee for possible Workers Compensation Claims		1,500	3,000
		2,650	**4,598**

Notes:

[1]The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on Overdrafts and Loans are disclosed in Note 20.

(e) Bank guarantees/ Loan guarantees

Under the Workers Compensation Act 1987, self insurers are required to provide financial security to ensure that other employers in the State will not be required to meet the cost of claims if these entities are not able to meet their workers compensation liabilities. As a self insurer Council has provided State Insurance Regulatory Authority with a bank guarantee for $1,500,000 to meet this requirement.

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 drawndown.

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17 Interests in other entities

Interests in subsidiaries

(a) Composition of the Group

	Principal place of business	Percentage % Owned 2018
Subsidiaries		
Kimbriki Environmental Enterprises Pty Limited	Kimbriki Road, Ingleside, NSW	96%

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

The financial position and performance Kimbriki Environmental Enterprises Pty Ltd is for the financial period ended 30 June 2018.

Controlled entities with ownership interest of 50% or less

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

(b) Significant restrictions relating to subsidiaries

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

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

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

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

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

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

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17 Interests in other entities (continued)

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

	Kimbriki Environmental Enterprises Pty Limited 30 June 2018	Kimbriki Environmental Enterprises Pty Limited 30 June 2017
% Ownership held by NCI	4%	4%
	$'000	**$'000**
Profit/(Loss) allocated to NCI	164	(81)
Accumulated NCI of subsidiary	956	746
Dividends paid to NCI	-	-
Summarised statement of financial position		
Current assets	19,264	18,017
Non-current assets	17,726	15,478
Current liabilities	5,430	7,528
Non-current liabilities	6,657	5,326
Net assets	24,903	20,641
Summarised statement of profit and loss and other comprehensive income		
Revenue	35,400	36,607
Profit/(Loss)	4,262	(2,120)
Total Comprehensive Income	4,262	(2,120)
Summarised statement of cash flows		
Cash flows from operating activities	6,546	5,510
Cash flows from investing activities	(3,562)	(10,451)
Cash flows from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	2,984	(3,176)

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

Disposal of ownership interest

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

Acquisition of ownership interest

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

Interests in Joint Arrangements

Name of Entity	Principal Activity	Percentage % Owned 2018
Shorelink Library Network	Sharing of library infrastructure	

	Council's share of net income	Council's share of net assets
Shorelink Library Network	14	-

Council ceased its membership of Shorelink effective 30 June 2018

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18 Commitments for expenditure

	Actual 2018 $'000	Actual 2017 $'000
(a) Capital Commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Land & Buildings	616	852
- Plant & Equipment	1,210	1,221
- Infrastructure	8,832	9,516
Total	**10,658**	**11,589**

Description of Commitments

Contractual commitments for capital works currently being undertaken

(b) Non-cancellable Operating Lease Commitments		
- Not later than one year	248	284
- Later than one year and not later than 5 years	288	433
- Later than 5 years	-	-
Total	**536**	**717**

Description of Leases

Information Technology Equipment Leases due to expire 2019

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19 Contingencies

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

Contingent Liabilities

1. Guarantees

(i) 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 Councils 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.

(ii) WorkCover

Council provides bank guarantees to the value of $1,500,000 to secure its self-insurance license for Workers Compensation. The guarantee is provided to the State Insurance Regulatory Authority.

(iii) 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.

2. Other Liabilities

(i) Third Party Claims

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

(ii) S7.11 and S7.12 Plans

Council has significant obligations to provide Section 7.11 and Section 7.12 infrastructure. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference. (Refer Note 26).

(iii) Legal Expenses

Council, the Sydney North Planning Panel and the Northern Beaches Local Planning Panel are ordinarily the planning consent authorities 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. 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 the date of these reports, Council was party to 19 appeals in the Land & Environment Court. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

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

(iv) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland. As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels. At the reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19 Contingencies (continued)

(v) Other

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

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

Contingent Assets

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement Notices/Fines

Fines and Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau. Councils Revenue Recognition policy for such income is to account for it as revenue on receipt. Accordingly, at Year End, there is a potential asset due to Council not recognising issued but unpaid Infringement Notices.

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

(iii) Building Commencements

There were no current construction certificates on hand awaiting collection.

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

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20 Financial risk management

Risk Management
Council's activities expose it to a variety of financial risks including **(i)** price risk, **(ii)** credit risk, **(iii)** liquidity risk and **(iv)** interest rate risk.

Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of 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 Unit under policies approved by the Council.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and Cash Equivalents	6,037	29,820	6,037	29,820
Receivables	19,613	20,357	19,613	20,357
Financial Assets at Fair value through profit or loss - Held for Trading	871	954	871	954
Held-to-Maturity Investments	211,386	157,670	211,386	157,670
Total Financial Assets	**237,907**	**208,801**	**237,907**	**208,801**
Financial Liabilities				
Payables	37,170	39,224	37,170	39,224
Borrowings	37,583	48,018	37,583	48,018
Total Financial Liabilities	**74,753**	**87,242**	**74,753**	**87,242**

Note:
Refer to Note 22 for fair value information.
Cash and Cash Equivalents are not measured at Fair Value

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20 Financial risk management (continued)

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Financial Unit manages its cash and investments portfolio with the assistance of independent advisors. Council has
an Investment Policy which complies with the Local Government Act & Minister's Investment Order. The Policy is regularly reviewed by
Council and an Investment Report provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The risks associated with the investments held are:

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

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

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

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

	2018 $'000	2017 $'000
Impact of a 10%[1] movement in price of Investments		
- Equity	87	95
- Income Statement[2]	87	95
Impact of a 1%[1] movement in Interest Rates on Cash and Investments		
- Equity	2,174	1,875
- Income Statement[2]	2,174	1,875

Notes:

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

[2] Maximum impact.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20 Financial risk management (continued)

(b) Credit risk

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

Credit risk on Rates and Annual Charges is minimised by the ability of Council to recover these debts as a secured charge over the land that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue Rates & Annual Charges which further encourages payment.

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

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

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

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

	Not Yet Due	Overdue Debts				
		< 1 year	1-2 years	2-5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Rates and Annual Charges						
2018	-	740	5,762	757	664	7,923
2017	-	3,658	828	1,006	916	6,408

	Not Yet Due	Overdue Debts				
		< 30 days	30-60 days	60-90 days	> 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Receivables - other than rates and annual charges						
2018	9,475	1,021	91	6	1,669	12,262
2017	-	10,185	1,738	369	2,040	14,332

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20 Financial risk management (continued)

(c) Liquidity risk

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities can be drawn down in extenuating circumstances.

The contractual undiscounted cash outflows of Council's Payables & Borrowings are set out in the Liquidity Sensitivity Table below:

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

$'000	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
At 30 June 2017					
Payables	39,224	-	-	39,224	**39,224**
Borrowings	5,411	21,719	20,888	48,018	**48,018**
Total Financial Liabilities	**44,635**	**21,719**	**20,888**	**87,242**	**87,242**

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate on a 4 year renewal basis. The Finance Unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

	30 June 2018		30 June 2017	
	Weighted Average Interest Rate	Balance $'000	Weighted Average Interest Rate	Balance $'000
Overdraft	-	-	-	-
Bank Loans - Fixed	5.3%	27,537	5.3%	34,550
- Variable[(1)]	3.7%	10,046	3.5%	13,468
		37,583		**48,018**

[(1)] The interest rate risk applicable to Variable Rate Bank Loans is not considered significant.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21 Material budget variations

Council's original budget was adopted by council on 27 June 2017 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below.

Revenues

1 Investment Fees and Revenues

Total Interest and Investments were $6.195 million compared to an Original Budget of $4.712 million. This was due to higher than anticipated investments balances as a result of the receipt of $21.1 million from Round 2 of the Stronger Communities Fund and the timing of capital expenditure.

2 Grants and Contributions provided for operating purposes

Total Grants and Contributions provided for operating purposes were $15.911 million compared to an Original Budget of $12.395 million. This was principally due to the advance payment of the first two instalments of the estimated 2018-19 Financial Assistance Grant totalling $3.973 million.

3 Grants and Contributions provided for capital purposes

Total Grants and Contributions provided for capital purposes were $53.599 million compared to an Original Budget of $20.858 million. This was principally due to the receipt of $21.1 million from Round 2 of the Stronger Communities Fund, $6.5 million from the Roads and Maritime Services relating to the B-Line and $7.3 million representing the fair value of the Manly Memorial Hall.

Expenses

1 Borrowing Costs

Total Borrowing Costs were $3.478 million compared to an Original Budget of $3.972 million. This was principally due to lower interest rates on variable loans than was assumed when the budget was developed.

2 Other Expenses

Total Other Expenses were $34.655 million compared to an original Budget of $40.050 million. This was principally due to a grant of $3 million proposed to residents for the Collaroy - Narrabeen Beach Seawall works.

3 Net loss from the disposal of assets

Total Net loss from the disposal of assets were $0.390 million. This is principally due to the writedown of projects which are either no longer proceeding or operational in nature.

4 Revaluation decrement/impairment of IPPE

The Revaluation decrement/impairment of Infrastructure, Property, Pland and Equipment (IPPE) was $0.987 million representing a reduction in the fair value of Council’s buildings

5 Fair value decrement on investment properties

The Revaluation decrement/impairment of investment properties was $0.684 million representing a reduction in the fair value of Council’s three investment properties.

6 Net share of interests in joint ventures using the equity method

The Net share of interests in joint ventures using the equity method was $0.014 million representing Council's share of the deficit of the Shorelink joint venture.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22 Fair value measurement

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

- Infrastructure and property
- Investment property
- Financial assets

During a 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 needs 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.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

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

	Note	Level 2 Significant observable inputs $'000		Level 3 Significant unobservable inputs $'000		Total $'000	
		2018	2017	**2018**	2017	**2018**	2017
Recurring fair value measurements							
Financial assets							
Investments							
- At fair value through profit or loss	6	871	954	-	-	871	954
Investment Properties							
Commercial Office and Retail	11	6,085	2,080	-	-	6,085	2,080
Infrastructure and Property							
Operational Land	10	439,669	280,120	-	-	439,669	280,120
Community Land	10	-	-	2,077,785	2,073,518	2,077,785	2,073,518
Land Under Roads	10	-	-	391	367	391	367
Land Improvements - Depreciable	10	-	-	7,350	6,888	7,350	6,888
Buildings	10	-	-	468,779	456,013	468,779	456,013
Roads Sealed	10	-	-	481,509	476,907	481,509	476,907
Roads Unsealed	10	-		288	1,003	288	1,003
Roads Other Assets	10	-		187,116	184,506	187,116	184,506
Bridges	10	-	-	11,030	9,824	11,030	9,824
Footpaths	10	-	-	76,860	69,011	76,860	69,011
Drainage Infrastructure	10	-	-	799,010	799,352	799,010	799,352
Swimming Pools	10	-	-	25,948	26,004	25,948	26,004
Other Open Space/Recreational Assets	10	-	-	107,417	104,492	107,417	104,492
Other Infrastructure	10	-	-	155,865	147,484	155,865	147,484
Total		446,625	283,154	4,399,348	4,355,369	4,845,973	4,638,523

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22 Fair value measurement (continued)

Valuation Techniques

Level 3 Measurements

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

	Fair value (30/6/18) $'000	Valuation Techniques	Unobservable inputs
Infrastructure and Property			
Community Land	2,077,785	Price per square metre or Average Unit Rate based on Valuer General valuations	Variations in amount per square metre
Land Under Roads	391	Price per square metre or Average Unit Rate based on Valuer General valuations	Variations in amount per square metre
Land Improvements - Depreciable	7,350	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	468,779	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	481,509	Unit rates per m2 or length	Asset condition and remaining useful life
Roads Unsealed	288	Unit rates per m2 or length	Asset condition and remaining useful life
Roads Other Assets	187,116	Unit rates per m2 or length	Asset condition and remaining useful life
Bridges	11,030	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	76,860	Unit rates per m2 or length	Asset condition and remaining useful life
Drainage Infrastructure	799,010	Unit rates per m2 or length	Asset condition and remaining useful life
Swimming Pools	25,948	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	107,417	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	155,865	Replacement cost used to approximate fair value	Asset condition and remaining useful life

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22 Fair value measurement (continued)

Reconciliation of Movements

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

	2018 $'000	2017 $'000
Balance at 1 July	4,355,369	4,307,332
Recognised in profit or loss - realised	(1,840)	7,116
Recognised in profit or loss – unrealised	-	-
Purchases	80,569	77,425
Sales	(1,154)	(16,471)
Depreciation	(26,730)	(27,755)
Other Movements	(5,879)	7,722
Revaluations	(987)	-
Balance as at 30 June	4,399,348	4,355,369

There are no transfers identified in the table above.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23 Related party disclosures

	Year Ended 30 June 2018 $'000
Key management personnel (KMP)	
Compensation	
Short-term benefits	2,138
Post-employment benefits	102
Other long-term benefits	44
Termination benefits	613
Total	**2,897**

Other transactions with KMP and their related parties

2018	Nature of the transaction	Amount of the transactions during the year $	Outstanding balances including commitments at year end $	Terms and conditions
	Community Grant [1]	(5,000)	-	-
	Lease Income [2]	2,802	-	Payable Monthly in advance
	Purchase of IT equipment [3]	1,425	-	-
	Funding of Building works for RFS [4]	(230,364)	-	-

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

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

3 A KMP member purchased some minor IT equipment at market value from Council.

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

Other related parties

2018	Nature of the transaction	Amount of the transactions during the year $	Outstanding balances including commitments at year end $	Terms and conditions
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Tipping Fees	(9,963,837)	(666,254)	-
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Lease Revenue	2,984,331	-	Payable monthly on the 1st of each month
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Other Income	20,684	-	-

Note:
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. This includes the CEO, General Managers, the Administrator, Elected Officials and Public Officers.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24 Events occurring after reporting date

On 27 September 2018 Council entered into a waste collection contract with URM Environmental Services Pty Ltd (URM). Under this contract, URM will manage the collection of all domestic waste in the Council area for a period of 10 years. The fee payable to URM depends on the number of waste services collected.

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25 Statement of developer contributions

(a) Summary of developer contributions

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Community facilities	6,627	665	-	106	(353)	-	7,045	-
Drainage	4,863	699	-	63	-	-	5,625	-
Environmental programs (incl. drainage)	972	355	-	31	-	-	1,359	-
Library and recreation	(349)	-	-	0	-	-	(348)	-
Open space	12,752	2,151	-	274	(3,180)	-	11,997	-
Parking	1,916	56	-	50	-	-	2,022	-
Roads	(699)	1,085	-	(44)	(5,900)	-	(5,559)	-
Streetscape/transport	2,246	292	-	64	-	-	2,602	-
Traffic facilities	536	49	-	15	-	-	600	-
Other	(142)	260	-	5	(268)	-	(145)	-
S7.11 Contributions - under a Plan	**28,721**	**5,612**	**-**	**565**	**(9,701)**	**-**	**25,196**	**-**
S7.12 Levies - under a Plan	**12,649**	**3,896**	**-**	**318**	**(6,931)**	**-**	**9,932**	**-**
Total Revenue Under Plans	**41,370**	**9,508**	**-**	**882**	**(16,632)**	**-**	**35,129**	**-**
S7.11 not under Plans	730	-	-	0	(595)	-	**136**	-
S7.4 Planning Agreements	-	1,036	-	5	-	-	**1,040**	-
Total Contributions	**42,101**	**10,544**	**-**	**887**	**(17,227)**	**-**	**36,305**	**-**
Less: Land	(716)	-	-	-	595	-	**(121)**	-
Total Cash Contributions	**41,385**	**10,544**	**-**	**887**	**(16,632)**	**-**	**36,184**	**-**

(b) Contributions - Under a plan

S7.11 Contributions - Under a plan

Former Manly Council - Residential (2005 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Traffic facilities	431	27	-	12	-	-	470	-
Parking	-	-	-	-	-	-	-	-
Open space	509	276	-	35	(210)	-	610	-
Community facilities	(1,299)	47	-	-	-	-	(1,251)	-
Streetscape/transport	1,620	120	-	44	-	-	1,784	-
Environmental programs (incl. drainage)	233	179	-	10	-	-	422	-
Total	**1,495**	**648**	**-**	**100**	**(210)**	**-**	**2,034**	**-**

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

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

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Traffic facilities	60	22	-	2	-	-	84	-
Community facilities	(94)	24	-	-	-	-	(70)	-
Streetscape/transport	(136)	141	-	0	-	-	5	-
Environmental programs (incl. drainage)	488	133	-	15	-	-	636	-
Total	**318**	**320**	**-**	**17**	**-**	**-**	**655**	**-**

Former Manly Council - Other Precincts (2005 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Traffic facilities	6	0	-	0	-	-	7	-
Community facilities	(71)	2	-		-	-	(69)	-
Streetscape/transport	762	31	-	20	-	-	814	-
Environmental programs (incl. drainage)	226	43	-	6	-	-	276	-
Total	**924**	**77**	**-**	**27**	**-**	**-**	**1,027**	**-**

Former Manly Council - Manly Precinct (1999 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Open space	245	-	-	6	-	-	251	-
Library and recreation	18	-	-	0	-	-	19	-
Environmental programs (incl. drainage)		-	-	-	-	-		-
Total	**263**	**-**	**-**	**7**	**-**	**-**	**270**	**-**

Former Manly Council - Other Precincts (1999 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Open Space	313	-	-	11	-	-	324	-
Library and recreation	(367)	-	-	-	-	-	(367)	-
Total	**(54)**	**-**	**-**	**11**	**-**	**-**	**(43)**	**-**

Northern Beaches Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

Former Manly Council - Parking (1999 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Parking	1,916	56	-	50	-	-	2,022	-
Total	**1,916**	**56**	**-**	**50**	**-**	**-**	**2,022**	**-**

Former Manly Council - Tourist Developments (2005 plan)

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Open space	29	-	-	1	-	-	29	-
Environmental programs (incl. drainage)	25	-	-	1	-	-	26	-
Total	**54**	**-**	**-**	**1**	**-**	**-**	**55**	**-**

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

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Open space	190	221	-	4	(415)	-	0	-
Total	**190**	**221**	**-**	**4**	**(415)**	**-**	**0**	**-**

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

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Community facilities	350	54	-	8	(149)	-	263	-
Total	**350**	**54**	**-**	**8**	**(149)**	**-**	**263**	**-**

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

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Drainage	4,863	699	-	63	-	-	5,625	-
Roads	(699)	1,085	-	(44)	(5,900)	-	(5,559)	-
Open space	4,265	1,654	-	44	(2,556)	-	3,408	-
Community facilities	7,656	443	-	94	(57)	-	8,137	-
Other	(407)	92	-	(4)	(122)	-	(441)	-
Total	**15,677**	**3,974**	**-**	**153**	**(8,634)**	**-**	**11,170**	**-**

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25 Statement of developer contributions (continued)

(b) Contributions - Under a plan (continued)

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

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Community facilities	83	95	-	3	(147)	-	35	-
Total	**83**	**95**	**-**	**3**	**(147)**	**-**	**35**	**-**

Former Pittwater Council - Contribution Plan Number 19 - Village streetscape

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other	265	168	-	9	(147)	-	295	-
Total	**265**	**168**	**-**	**9**	**(147)**	**-**	**295**	**-**

Former Warringah Council - 2001 plan

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Traffic Facilities	38	-	-	1	-	-	**39**	-
Parking	-	-	-	-	-	-	**-**	-
Open Space	7,201	-	-	174	-	-	**7,375**	-
Community Facilities	-	-	-	-	-	-	**-**	-
Total	**7,240**	**-**	**-**	**175**	**-**	**-**	**7,415**	**-**

S7.12 Contributions - Under a Plan

Former Warringah Council - s7.12 contribution plan

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other	12,649	3,896	-	318	(6,931)	-	9,932	-
Total	12,649	3,896	-	318	(6,931)	-	9,932	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25 Statement of developer contributions (continued)

(c) Contributions - not under a plan

Former Manly Council

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other	14	-	-	0	-	-	15	-
Total	14	-	-	0	-	-	15	-

Former Warringah Council

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land	716	-	-	-	(595)	-	121	-
Total	716	-	-	-	(595)	-	121	-

(d) S7.4 Contributions - Planning Agreements

Purpose	Opening Balance	Contributions received during the period		Interest earned during period	Expended during period	Internal borrowings during the period	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other	-	1,036	-	5	-	-	1,040	-
Total	-	1,036	-	5	-	-	1,040	-

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

NOTE 26 Statement of performance measures - consolidated results

$ '000	Amounts 2018 $'000	2018 Indicators	2017 Indicators	Benchmark
1. Operating Performance				**>0**
Total continuing operating revenue[1] excluding capital grants and contributions less operating expenses	**26,914**	7.97%	1.31%	
Total continuing operating revenue[1] excluding capital grants and contributions	**337,482**			
2. Own Source Operating Revenue				**>60%**
Total continuing operating revenue[1] excluding all grants and contributions	**321,571**	82.23%	81.15%	
Total continuing operating revenue[1] inclusive of capital grants and contributions	**391,081**			
3. Unrestricted Current Ratio				**>1.5x**
Current assets less all external restrictions	**141,703**	3.09x	2.67x	
Current liabilities less specific purpose liabilities	**45,817**			
4. Debt Service Cover Ratio[2]				**>2x**
Operating Results[1] before capital excluding interest and depreciation/impairment/amortisation	**64,311**	4.62x	1.00x	
Principal repayments (from the statement of cash flows) plus borrowing interest costs (from the income statement)	**13,913**			
5. Rates and Annual Charges Outstanding Percentage				**<5%**
Rates and Annual Charges Outstanding	**8,430**	3.87%	2.80%	
Rates and Annual Charges Collectible	**217,743**			
6. Cash Expense Cover Ratio				**>3 months**
Current period's cash and cash equivalents + term deposits	**217,423**	8.59 months	5.94 months	
Payments from cash flow of operating and financing activities	**25,299**			

Note:

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

[2] In 2017 this ratio was impacted by the early repayment of three loans. In the absence of these early repayments of $35.6m the ratio would be 4.18x which is well above the benchmark

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27 Local Government amalgamation

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former Manly, Pittwater and Warringah Councils to Northern Beaches Council as at 12 May 2016.

Gain on local government amalgamation	2018 $'000	2017 $'000
Net Assets and liabilities of former Councils	-	4,591,392
Adjustments between former Council carrying amount of assets and fair values recognised in Northern Beaches Council	-	127,922
Accounting policy adjustments	-	813
	-	4,720,127
Adjustment to Retained earnings - Non Controlling Interest transfer on Amalgamation	-	(1,445)
	-	4,718,682

Adjustments between former Council carrying amount of assets and fair values recognised in Northern Beaches Council

There were no adjustments to the carrying amount of the assets and liabilities received as part of the amalgamation in the current financial year.

Adjustments made to recognise net assets at fair value	2018 $'000	2017 $'000
• write-off of assets where original cost is below Council's capitalisation threshold	-	(555)
• changes in asset values due to comprehensive valuation process	-	138,590
• changes in the fair value of Inventory, Receivables, Payables & Provisions	-	233
• other adjustments (please specify)		
- Elimination of Equity Investment	-	(10,346)
Total adjustments	-	127,922

Accounting policy adjustments

The following Accounting Policy adjustments have been made to the assets and liabilities of the former Manly, Pittwater and Warringah Councils as a result of amalgamation:

Accounting Policy adjustments	2018 $'000	2017 $'000
• to align the basis for the calculation of Debtors	-	330
• to align the basis for the calculation of Payables	-	(433)
• to align the basis for the calculation of Employee Provisions	-	189
• to align the basis for the calculation of Other Provisions	-	(899)
	-	(813)

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Northern Beaches Council

To the Councillors of the Northern Beaches Council

Opinion

I have audited the accompanying financial report of Northern Beaches Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' section of my report.

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Weini Liao
Director

17 October 2018
SYDNEY

audit office
OF NEW SOUTH WALES

Cr Michael Regan
Mayor
Northern Beaches Council
PO BOX 82
MANLY NSW 1655

Contact: Weini Liao
Phone no: 02 9275 7532
Our ref: D1823795/1772

17 October 2018

Dear Mayor

Report on the Conduct of the Audit
for the year ended 30 June 2018
Northern Beaches Council

I have audited the general purpose financial statements of the Northern Beaches Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 $m	2017 * $m	Variance %
Rates and annual charges revenue	210.3	208.1	1.1
Grants and contributions revenue	69.5	75.7	8.2
Operating result for the year	78.5	48.9	60.5
Net operating result before capital amounts	24.9	7.5	232
Gain on local government amalgamation	–	4,718.7	

* 13 May 2016 to 30 June 2017

Council's operating result ($78.5 million including the effect of depreciation and amortisation expense of $33.9 million) was $29.6 million higher than the 2016–17 result. The increase from the previous period is primarily due to the differing reporting periods. Council was formed on 12 May 2016 following an amalgamation and the initial reporting period was from 13 May 2016 to 30 June 2017. The operating result for the period ended 30 June 2017 was affected by the additional expenses attributed to the extended period.

The net operating result before capital grants and contributions ($24.9 million) was $17.4 million higher than the 2016–17 result. The increase is mainly due to the additional expenses attributed to the extended prior period as noted above.

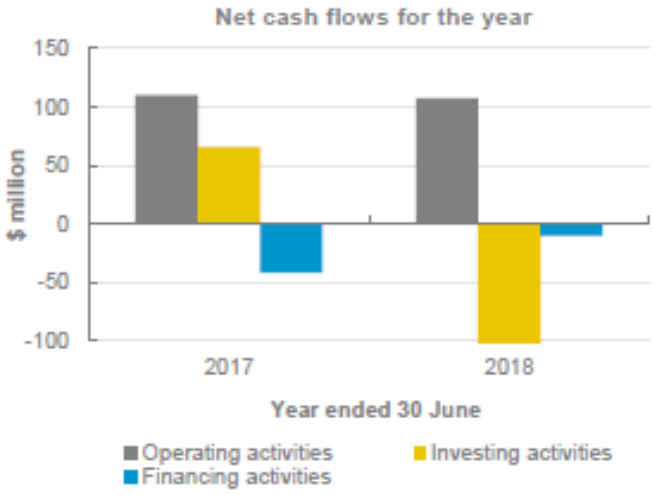
Rates and annual charges revenue ($210.3 million) increased by $2.2 million (1.1 per cent) in 2017–2018. The variance can be attributed to an increase in rates arising from a special variation relating to the former Warringah Council offset by a reduction in annual charges due to the differing reporting periods.

Grants and contributions revenue ($69.5 million) decreased by $6.2 million (8.2 per cent) in 2017–2018 due to:

- $3.9 million of 2017–2018 financial assistance grants received in 2016–17
- one-off 'New Council Implementation Fund' grant of $10 million was received in 2016–17
- the above decreases were offset by an increase of $6 million in capital funding from the 'Stronger Communities Fund'.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents balance at 30 June 2018 was $6 million. The net cash flow for the period was a decrease of $23.8 million.
- The reduction is mainly due to investing in longer term deposits and holding fewer funds in cash and cash equivalents.
- Financing activities for the previous period included the early repayment of $35.7 million of borrowings. Loan repayments for 2017–18 were $10.4 million.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	$m	$m	
External restrictions	95.1	77.7	• External restrictions mainly relating to developer contributions, specific purpose grants and Domestic Waste funds. Unspent grants from the 'Stronger Communities Fund' have increased by $17.4 million.
Internal restrictions	40.9	37.7	• Internal restrictions primarily relate to employee leave entitlements and deposits, retentions and bonds.
Unrestricted	82.3	73.1	• Significant amount of unrestricted cash to fund day-to-day operations.
Cash and investments	**218.3**	**188.5**	

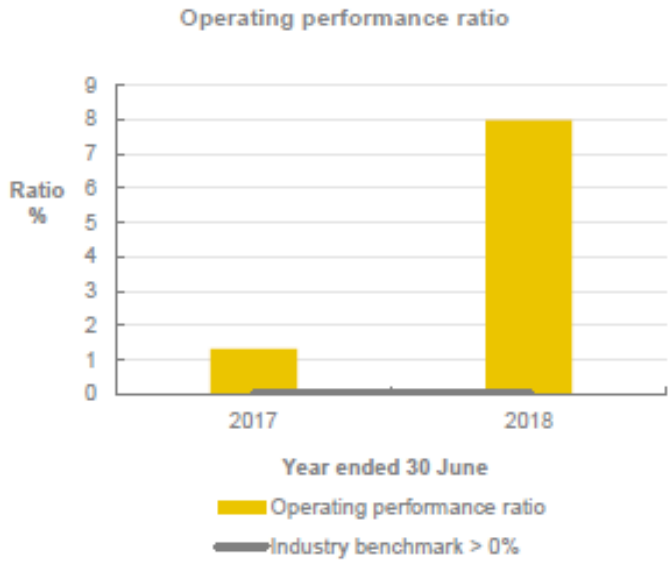
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 26 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 8.0 per cent was above the industry benchmark of greater than zero per cent. The ratio for the previous period was impacted by the additional amalgamation grants received as well as a higher level of expenditure related to amalgamation. The ratio was also affected by the longer accounting period expenses with no corresponding rates revenue.

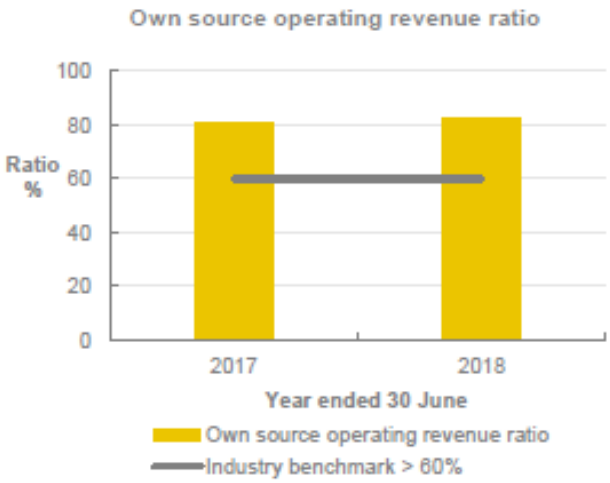
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 82.2 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.

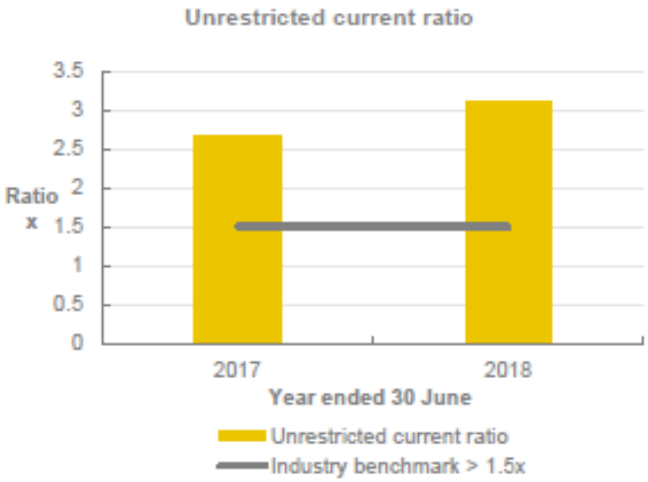
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had 3.1 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

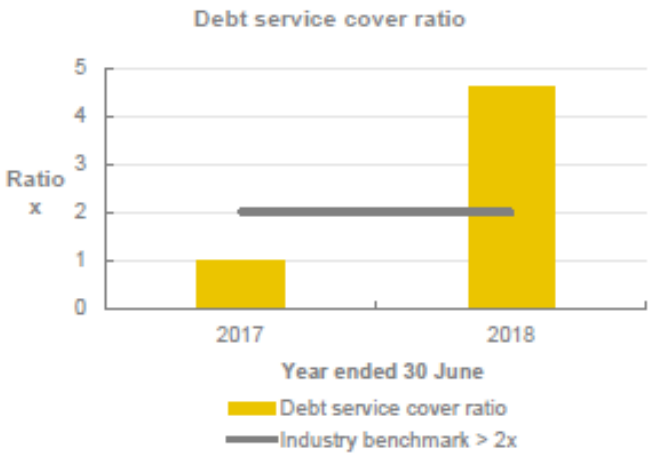
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 4.6 times exceeded the industry benchmark.
- The ratio for the previous period was impacted by the early repayment of borrowings.

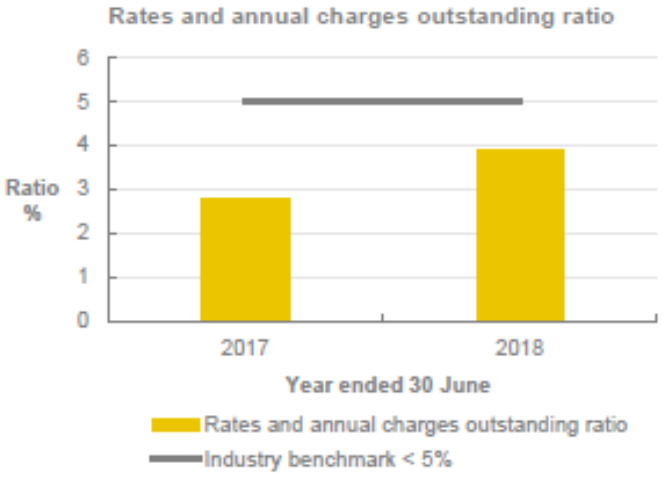
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council outstanding rates and charges ratio of 3.9 per cent was within the industry benchmark of less than five per cent.

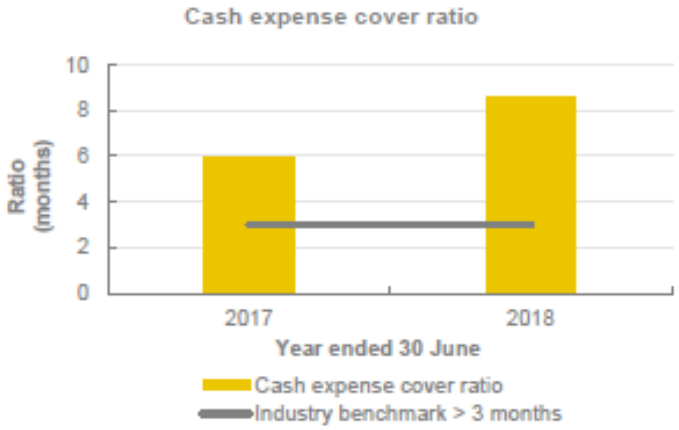
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 8.6 months well exceeded the benchmark of greater than three months due to the significant cash reserves and investment balances at the end of the 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.

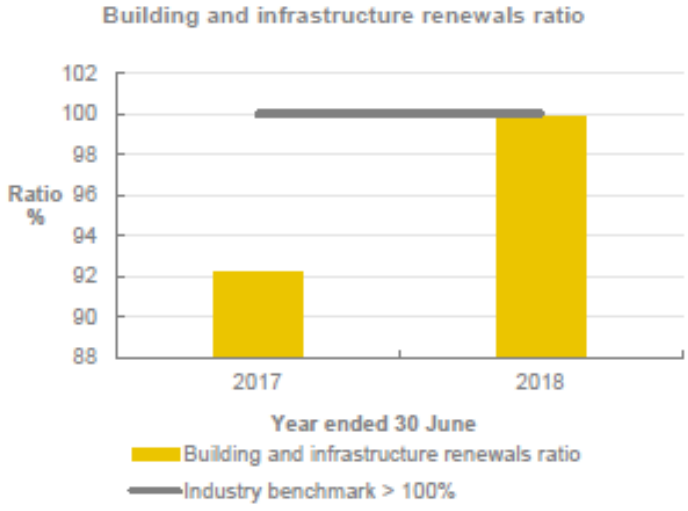


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 99.8 per cent did not meet the benchmark due to planned asset renewals not being completed by the financial year end.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

The financial statements of Council include the consolidation of Council's controlled entity, Kimbriki Environmental Services Pty Limited.

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'	
Effective for annual reporting periods beginning on or after 1 January 2017	This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities. Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 13(b).

AASB 124 'Related Party Disclosures'	
Effective for annual reporting periods beginning on or after 1 July 2016	AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the: • compensation paid to their key management personnel • nature of their related party relationships • amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

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 reports. The Council's:

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

Weini Liao
Director, Financial Audit Services

cc: Mr Ray Brownlee, Chief Executive Officer
Chair of Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government

Northern Beaches Council

Special purpose financial statements
for the year ended 30 June 2018

Northern Beaches Council

Special purpose financial statements
for the year ended 30 June 2018

CONTENTS

	Page
Statement by Councillors & Management	99
Income Statement of Other Business Activities	100
Balance Sheet of Other Business Activities	104
Notes to the Special Purpose Financial Reports	108
Auditor's Report	110

BACKGROUND

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

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

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

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

Northern Beaches Council

Special purpose financial statements
for the year ended 30 June 2018

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

(a) To the best of our knowledge and belief the attached Special Purpose Financial Statements have been prepared for referral to the auditor in accordance with:

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

(b) These statements:

- present fairly Council's Operating Result and Financial Position for the year
- accord with Council's accounting and other records

(c) We are not aware of any matter that would render this report false or misleading in any way.

Signed in accordance with clause 215(1)(b) of the Local Government (General) Regulation 2005.

Michael Regan
Mayor
16/10/2018

Sarah Grattan
Councillor
16/10/2018

Ray Brownlee
Chief Executive Officer
16/10/2018

David Walsh
Responsible Accounting Officer
16/10/2018

Made by resolution of Northern Beaches Council on 25 September 2018

Northern Beaches Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Children Services Year Ended 30 June 2018 $'000	Children Services Period 13 May 2016 to 30 June 2017 $'000	Kimbriki Environment Enterprises Year Ended 30 June 2018 $'000	Kimbriki Environment Enterprises Period 13 May 2016 to 30 June 2017 $'000
Income from continuing operations				
Access charges	11,832	12,890	-	-
User charges	-	-	-	-
Fees	-	-	31,978	35,788
Interest	-	-	146	196
Grants and contributions provided for non capital purposes	662	1,610	-	230
Profit from the sale of assets	-	-	-	-
Other income	22	23	3,276	3,755
Total income from continuing operations	**12,516**	**14,523**	**35,400**	**39,969**
Expenses from continuing operations				
Employee benefits and on-costs	10,177	10,879	5,207	6,947
Borrowing costs	-	-	-	-
Materials and contracts	2,326	2,591	11,300	16,752
Depreciation, amortisation and impairment	111	-	1,268	1,670
Loss on sale of assets	-	-	47	5,739
Other expenses	365	387	13,316	11,134
Revaluation decrement of IPPE	1,150	-	-	-
Total expenses from continuing operations	**14,129**	**13,857**	**31,138**	**42,242**
Surplus (deficit) from continuing operations before capital amounts	**(1,613)**	**666**	**4,262**	**(2,273)**
Grants and contributions provided for capital purposes	-	-	-	
Surplus (deficit) from continuing operations after capital amounts	**(1,613)**	**666**	**4,262**	**(2,273)**
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	**(1,613)**	**666**	**4,262**	**(2,273)**
Less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(200)	(1,279)	-
Surplus/(deficit) after tax	**(1,613)**	**466**	**2,983**	**(2,273)**
Opening retained profits	8,757	-	20,641	-
Adjustments for amounts unpaid:	-	-	-	-
Add/Less: Allocation Adjustments Related to IPPE	717	-	-	-
Corporate taxation equivalent	-	200	1,279	-
Add:				
- Assets transferred on Amalgamation	-	9,544	-	26,911
- Subsidy paid/Contribution to operations	352	(1,452)	-	(3,997)
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid	-	-	-	-
Closing retained profits	**8,213**	**8,757**	**24,903**	**20,641**
Return on Capital %	-19.6%	7.6%	24.0%	-14.7%
Subsidy from Council	-	-	-	-

Northern Beaches Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Glen Street Theatre Year Ended 30 June 2018 $'000	Glen Street Theatre Period 13 May 2016 to 30 June 2017 $'000	Certification Year Ended 30 June 2018 $'000	Certification Period 13 May 2016 to 30 June 2017 $'000
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	1,277	1,343	1,072	1,017
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	367	490	308	129
Total income from continuing operations	**1,644**	**1,833**	**1,380**	**1,146**
Expenses from continuing operations				
Employee benefits and on-costs	1,219	1,309	1,458	1,600
Borrowing costs	-	-	-	-
Materials and contracts	791	1,003	83	155
Depreciation, amortisation and impairment	96	125	-	-
Loss on sale of assets	-	-	-	-
Other expenses	242	126	300	176
Revaluation decrement of IPPE	1,752	-	-	-
Total expenses from continuing operations	**4,100**	**2,563**	**1,841**	**1,931**
Surplus (deficit) from continuing operations before capital amounts	**(2,456)**	**(730)**	**(461)**	**(785)**
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	**(2,456)**	**(730)**	**(461)**	**(785)**
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	**(2,456)**	**(730)**	**(461)**	**(785)**
Less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
Surplus/(deficit) after tax	**(2,456)**	**(730)**	**(461)**	**(785)**
Opening retained profits	10,247	-	-	-
Adjustments for amounts unpaid:	-	-	-	-
Add/Less: Allocation Adjustments Related to IPPE	23	-	-	-
Corporate taxation equivalent	-	-	-	-
Add:				
- Assets transferred on Amalgamation	-	11,160	-	-
- Subsidy paid/Contribution to operations	608	(183)	461	785
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid	-	-	-	-
Closing retained profits	**8,422**	**10,247**	**-**	**-**
Return on Capital %	-29.2%	-7.1%	-	-
Subsidy from Council	-	-	-	-

Northern Beaches Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Aquatic Centres Year Ended 30 June 2018 $'000	Aquatic Centres Period 13 May 2016 to 30 June 2017 $'000	Parking Stations Year Ended 30 June 2018 $'000	Parking Stations Period 13 May 2016 to 30 June 2017 $'000
Income from continuing operations				
Access charges	6,668	5,820	-	-
User charges	-	-	4,121	4,314
Fees	-	-	-	-
Interest	-	3	-	301
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	445	453	-	-
Total income from continuing operations	**7,113**	**6,276**	**4,121**	**4,614**
Expenses from continuing operations				
Employee benefits and on-costs	4,785	4,952	534	469
Borrowing costs	-	-	-	-
Materials and contracts	1,332	1,320	655	280
Depreciation, amortisation and impairment	617	385	139	-
Loss on sale of assets	-	-	-	-
Other expenses	1,315	1,246	652	720
Total expenses from continuing operations	**8,049**	**7,903**	**1,980**	**1,469**
Surplus (deficit) from continuing operations before capital amounts	**(936)**	**(1,627)**	**2,141**	**3,145**
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	**(936)**	**(1,627)**	**2,141**	**3,145**
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus/(deficit) from all operations before tax	**(936)**	**(1,627)**	**2,141**	**3,145**
Less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(642)	(944)
Surplus/(deficit) after tax	**(936)**	**(1,627)**	**1,499**	**2,201**
Opening retained profits	47,343	-	11,612	-
Adjustments for amounts unpaid:	-	-	-	-
Add/Less: Allocation Adjustments Related to IPPE	365	-	230	-
Corporate taxation equivalent	-	-	642	944
Add:				
- Assets transferred on Amalgamation	-	49,598	-	8,928
- Subsidy paid/Contribution to operations	320	(628)	-	(461)
Less:				
- TER dividend paid	-	-	-	-
- Surplus dividend paid	-	-	(2,280)	-
Closing retained profits	**47,092**	**47,343**	**11,703**	**11,612**
Return on Capital %	-1.7%	-3.4%	6.9%	27.1%
Subsidy from Council	-	-	-	-

Northern Beaches Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Sydney Lakeside Caravan Park Year Ended 30 June 2018 $'000	Sydney Lakeside Caravan Park Period 13 May 2016 to 30 June 2017 $'000
Income from continuing operations		
Access charges	-	-
User charges	5,821	7,043
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	993	-
Total income from continuing operations	**6,814**	**7,043**
Expenses from continuing operations		
Employee benefits and on-costs	-	38
Borrowing costs	135	582
Materials and contracts	851	528
Depreciation, amortisation and impairment	181	220
Loss on sale of assets	-	-
Other expenses	2,020	2,309
Revaluation decrement of IPPE	4,372	-
Total expenses from continuing operations	**7,559**	**3,677**
Surplus (deficit) from continuing operations before capital amounts	**(745)**	**3,366**
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	**(745)**	**3,366**
Surplus (deficit) from discontinued operations	-	-
Surplus/(deficit) from all operations before tax	**(745)**	**3,366**
Less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(1,010)
Surplus/(deficit) after tax	**(745)**	**2,356**
Opening retained profits	19,984	-
Adjustments for amounts unpaid:	-	-
Add/Less: Allocation Adjustments Related to IPPE	75	-
Corporate taxation equivalent	-	1,010
Add:		
- Assets transferred on Amalgamation	-	19,589
Less:		
- TER dividend paid	-	-
- Surplus dividend paid	(3,357)	(2,971)
Closing retained profits	**15,957**	**19,984**
Return on Capital %	-4.1%	14.8%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus/(deficit) after tax	(745)	2,356
Less: capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	(745)	2,356

Northern Beaches Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2018

$ '000	Actual 2018 Children Services Category 1 $'000	Actual 2017 Children Services Category 1 $'000	Actual 2018 Kimbriki Environment Enterprises Category 1 $'000	Actual 2017 Kimbriki Environment Enterprises Category 1 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	2,633	6,843
Investments	-	-	14,366	7,173
Receivables	-	-	2,263	4,001
Inventories	-	-	2	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	**-**	**-**	**19,264**	**18,017**
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,213	8,757	17,726	15,478
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	**8,213**	**8,757**	**17,726**	**15,478**
Total Assets	**8,213**	**8,757**	**36,990**	**33,495**
LIABILITIES				
Current Liabilities				
Payables	-	-	4,307	6,483
Interest bearing liabilities	-	-	1,123	1,045
Provisions	-	-		
Total Current Liabilities	**-**	**-**	**5,430**	**7,528**
Non-Current Liabilities				
Payables	-	-	6,552	5,326
Interest bearing liabilities	-	-	-	-
Provisions	-	-	105	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	**-**	**-**	**6,657**	**5,326**
Total Liabilities	**-**	**-**	**12,087**	**12,854**
Net Assets	**8,213**	**8,757**	**24,903**	**20,641**
EQUITY				
Retained earnings	8,213	8,757	24,903	20,641
Revaluation reserves	-	-	-	-
Council equity interest	8,213	8,757	24,903	20,641
Minority equity interest	-	-	-	-
Total Equity	**8,213**	**8,757**	**24,903**	**20,641**

Northern Beaches Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2018

$ '000	Actual 2018 Glen Street Theatre Category 1 $'000	Actual 2017 Glen Street Theatre Category 1 $'000	Actual 2018 Certification Category 2 $'000	Actual 2017 Certification Category 2 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	**-**	**-**	**-**	**-**
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,422	10,247	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	**8,422**	**10,247**	**-**	**-**
Total Assets	**8,422**	**10,247**	**-**	**-**
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	**-**	**-**	**-**	**-**
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	**-**	**-**	**-**	**-**
Total Liabilities	**-**	**-**	**-**	**-**
Net Assets	**8,422**	**10,247**	**-**	**-**
EQUITY				
Retained earnings	8,422	10,247	-	-
Revaluation reserves	-		-	
Council equity interest	8,422	10,247	-	-
Minority equity interest	-	-	-	-
Total Equity	**8,422**	**10,247**	**-**	**-**

Northern Beaches Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2018

$ '000	Actual 2018 Aquatic Centres Category 1 $'000	Actual 2017 Aquatic Centres Category 1 $'000	Actual 2018 Parking Stations Category 1 $'000	Actual 2017 Parking Stations Category 1 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	**-**	**-**	**-**	**-**
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	55,604	47,343	31,128	11,612
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	**55,604**	**47,343**	**31,128**	**11,612**
Total Assets	**55,604**	**47,343**	**31,128**	**11,612**
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	**-**	**-**	**-**	**-**
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	**-**	**-**	**-**	**-**
Total Liabilities	**-**	**-**	**-**	**-**
Net Assets	**55,604**	**47,343**	**31,128**	**11,612**
EQUITY				
Retained earnings	47,092	47,343	11,703	11,612
Revaluation reserves	8,512	-	19,425	-
Council equity interest	55,604	47,343	31,128	11,612
Minority equity interest	-	-	-	-
Total Equity	**55,604**	**47,343**	**31,128**	**11,612**

Northern Beaches Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2018

	Actual 2018 Sydney Lakeside Caravan Park Category 1 $'000	Actual 2017 Sydney Lakeside Caravan Park Category 1 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	-	150
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**-**	**150**
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	18,238	22,717
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	**18,238**	**22,717**
Total Assets	**18,238**	**22,867**
LIABILITIES		
Current Liabilities		
Payables	117	342
Interest bearing liabilities	398	377
Provisions	-	-
Total Current Liabilities	**515**	**719**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	1,766	2,164
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	**1,766**	**2,164**
Total Liabilities	**2,281**	**2,883**
Net Assets	**15,957**	**19,984**
EQUITY		
Retained earnings	15,957	19,984
Revaluation reserves	-	-
Council equity interest	15,957	19,984
Minority equity interest	-	-
Total Equity	**15,957**	**19,984**

Northern Beaches Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1 Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared Business Activities

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

Category 1

(where gross operating turnover is over $2 million)

Children's Services - Child Care, Pre-school and Long Day Care
Kimbriki Environmental Enterprises Pty Limited - Waste landfill and resource recovery management
Glen Street Theatre - Council's local Theatre
Parking Stations - Whistler Street, Manly National, Manly Pacific and Peninsula Parking Stations in Manly.
Aquatic Centres - Manly Andrew "Boy" Charlton Swim Centre and Warringah Aquatic Centre
Sydney Lakeside Caravan Park - Permanent and short stay caravan park accommodation

Category 2

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

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

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

Corporate Income Tax Rate – **30%**

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

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

Northern Beaches Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1 Significant accounting policies (continued)

Income Tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level
(gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.
Since the taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 30% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and the Council's borrowing rate for its business activities

(ii) Subsidies

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

(iii) Return on Investments (Rate of Return)

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

(iv) Dividends

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

INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Northern Beaches Council

To the Councillors of the Northern Beaches Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Northern Beaches Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

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

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules.

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

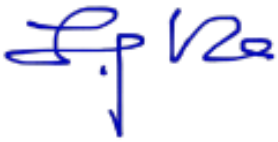
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 financial report.

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

My opinion does not provide assurance:

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



Weini Liao
Director, Financial Audit Services

17 October 2018
SYDNEY

Northern Beaches Council

Special Schedules
for the year ended 30 June 2018

Northern Beaches Council

Special Schedules

for the year ended 30 June 2018

Contents **Page**

Special Schedules

Special Schedule No. 1	Net cost of services	115
Special Schedule No. 2	Permissible income	117
Special Schedule No. 7	Report on infrastructure assets	118

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as the:

- NSW Grants Commission
- Australian Bureau of Statistics (ABS),
- Department of Premier & Cabinet, Office of Local Government (OLG).
- Department of Primary Industries Water (DPIW)

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of specific service financial activities

Northern Beaches Council

Special Schedules
for the financial year ended 30 June 2018

Special Schedule No. 1 - Net Cost of Services

$'000	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net Cost of Services
Function or Activity	**$'000**	**$'000**	**$'000**	**$'000**
Governance	8,020	1,272	-	(6,748)
			-	
Administration	80,879	15,784	47,313	(17,782)
Public Order and Safety				
Fire Service Levy, Fire protection, Emergency Services	7,636	1,766	-	(5,870)
Beach Control	4,516	189	-	(4,327)
Enforcement of Local Govt Regs	3,897	6,812	-	2,915
Animal Control	219	242	-	23
Other	-	-	-	-
Total Public Order and Safety	16,268	9,009	-	(7,259)
	-	-	-	
Health	4,711	2,058	-	(2,653)
Environment				
Noxious Plants and Insects/ Vermin Control	1,070	210	-	(860)
Other Environmental Protection	9,964	1,163	10	(8,791)
Solid Waste Management	72,421	79,231	-	6,810
Street Cleaning	3,022	23	-	(2,999)
Drainage	1,853	304	-	(1,549)
Stormwater Management	7,031	61	-	(6,970)
Total Environment	95,361	80,992	10	(14,359)
Community Services and Education				
Administration & Education	2,786	508	-	(2,278)
Social Protection (Welfare)	-	-	-	-
Aged Persons & Disabled	498	-	-	(498)
Childrens Services	11,878	11,814	-	(64)
Education	796	1,025	-	229
Other Community Services and Education	1,052	427	-	(625)
Total Community Services and Education	17,010	13,774	-	(3,236)
Housing and Community Amenities				
Public Cemeteries	430	724	-	294
Public Conveniences	912	-	-	(912)
Street Lighting	3,788	760	-	(3,028)
Town Planning	10,307	4,839	-	(5,468)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	15,437	6,323	-	(9,114)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Northern Beaches Council

Special Schedules

for the financial year ended 30 June 2018

Special Schedule No. 1 - Net Cost of Services (continued)

Function or Activity	Expenses from continuing operations $'000	Income from continuing operations (non capital) $'000	Income from continuing operations (capital) $'000	Net Cost of Services $'000
Recreation and Culture				
Public Libraries	8,450	567	487	(7,396)
Museums	-	-	-	-
Art Galleries	965	150	-	(815)
Community Centres and Halls	1,861	2,019	-	158
Performing Arts Venues	2,007	1,644	-	(363)
Other Performing Arts	-	-	-	-
Other Cultural Services	2,736	1,012	27	(1,697)
Sporting Grounds and Venues	15,991	3,198	-	(12,793)
Swimming Pools	8,445	7,478	-	(967)
Parks and Gardens (Lakes)	6,095	898	-	(5,197)
Other Sport and Recreation	4,687	-	-	(4,687)
Total Recreation and Culture	51,237	16,966	514	(33,757)
Fuel and Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	14,905	4,108	2,671	(8,126)
Urban Roads (UR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Parking Areas	2,093	10,130	(51)	7,986
Footpaths	773	-	3,143	2,370
Other Transport and Communication	1,381	161	-	(1,220)
Total Transport and Communication	19,152	14,399	5,763	1,010
Economic Affairs				
Camping Areas and Caravan Parks	3,058	7,182	-	4,124
Other Economic Affairs	1,496	91	-	(1,405)
Total Economic Affairs	4,554	7,273	-	2,719
Total - Functions	**312,629**	**167,850**	**53,600**	**(91,179)**
General purpose income[1]	**-**	**169,662**	**-**	**169,662**
Share of interests - joint ventures & associates using the equity method[2]	**14**	**-**	**-**	**(14)**
Net operating result for the year	**312,643**	**337,512**	**53,600**	**78,469**

Notes: [1] The definition of general purpose income for the purposes of disclosure in Note 2(a) is the aggregation of specific income items disclosed in Note 3 of the GPFS: ordinary rates; general purpose untied grants; interest on overdue rates and annual charges, internally restricted assets, and general council cash and investments and ex gratia rates.

[2] As reported on the Income Statement.

Northern Beaches Council

Special Schedules

for the year ended 30 June 2018

Special Schedule 2 - Permissable income for general rates

		2018/19			
		Former Manly Council	Former Pittwater Council	Former Warringah Council	Northern Beaches Council
		$'000	$'000	$'000	$'000
Notional general income calculation[1]					
Last year notional income yield		29,441	40,987	89,067	159,495
Plus/minus adjustments[2]		(29)	62	353	386
Notional general income		29,412	41,049	89,420	159,881
Permissible income calculation					
Special variation[3]	%	-	-	-	
OR Rate peg	%	2	2	2	
OR Crown land adjustment incl. rate peg	%	-	-	-	
Less expiring special variations amount		-	-	-	-
Plus special variation amount		-	-	-	-
OR plus rate peg amount		676	944	2,057	3,677
OR plus crown land adjustment and rate peg amount		-	-	-	-
Sub-total		30,088	41,993	91,477	163,558
Plus or minus last year's carry forward total		1	2	-	3
Less valuation objections claimed in previous year		-	(36)	-	(36)
Sub-total		1	(34)	-	(33)
Total permissible income		30,089	41,959	91,477	163,525
Less notional income yield		30,088	41,983	91,476	163,547
Catch up or (excess) result		1	(24)	1	(22)
Plus income lost due to valuation objections claimed[4]		-	10	15	25
Less unused catch up[5]		-	-	-	-
Carry forward to next year[6]		1	(14)	16	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 includes amounts that relate to prior years' rates income.

[2] Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916 (NSW).

[3] The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.

[4] Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

[5] Unused catch-up amounts will be deducted if they are not caught up within two years. Usually, councils will have a nominal carry-forward figure. These amounts can be adjusted for when setting the rates in a future year.

[6] Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Act. The OLG will extract these amounts from councils' Special Schedule 2 in the Financial Data Return (FDR) to administer this process. Please check that data are transferred accurately to the Special Schedule 2 of the Financial Statements and FDR.

Northern Beaches Council

Special Schedules

as at 30 June 2018

Special Schedule 7 - Report on infrastructure assets

Asset Class	Asset Category	Estimated cost to bring to a satisfactory standard	Estimated Cost to Bring Assets to the agreed level of service set by Council[1]	2017/18 Required annual maintenance	2017/18 Actual maintenance	Net carrying amount	Current Replacement Cost (CRC)	Assets in Condition as % of Current Replacement Cost				
		$'000	$'000	$'000	$'000	$'000	$'000	1	2	3	4	5
Buildings		6,436	6,436	7,584	8,486	468,779	628,794	42.6%	46.5%	9.8%	1.1%	0.0%
		6,436	**6,436**	**7,584**	**8,486**	**468,779**	**628,794**	42.6%	46.5%	9.8%	1.1%	0.0%
Roads	Sealed Roads	1,282	1,282	4,464	7,109	481,509	527,130	50.4%	38.7%	9.5%	1.0%	0.4%
	Unsealed Roads	11	11	113	3	288	322	0.0%	85.3%	0.0%	14.7%	0.0%
	Bridges	-	-	64	-	11,030	11,633	39.3%	60.7%	0.0%	0.0%	0.0%
	Footpaths	130	130	1,679	2,629	76,860	86,932	42.1%	56.7%	0.1%	0.9%	0.2%
	Other Road Assets	370	370	4,843	5,880	187,116	206,764	19.0%	64.5%	14.5%	1.5%	0.5%
		1,794	**1,794**	**11,163**	**15,621**	**756,803**	**832,781**	41.5%	47.3%	9.6%	1.1%	0.4%
Other Infrastructure		107	107	4,296	4,616	155,865	171,375	33.7%	56.2%	9.0%	0.9%	0.2%
		107	**107**	**4,296**	**4,616**	**155,865**	**171,375**	33.7%	56.2%	9.0%	0.9%	0.2%
Stormwater Drainage		2,770	2,770	3,251	2,459	799,010	942,365	6.2%	73.3%	19.0%	1.1%	0.4%
		2,770	**2,770**	**3,251**	**2,459**	**799,010**	**942,365**	6.2%	73.3%	19.0%	1.1%	0.4%
Open Space/Recreational Assets	Swimming Pools	283	283	1,705	1,923	25,948	28,995	32.1%	29.6%	36.5%	1.8%	0.0%
	Other	497	497	4,203	4,565	107,417	119,788	27.7%	55.4%	15.5%	1.2%	0.3%
		780	**780**	**5,908**	**6,488**	**133,365**	**148,783**	28.5%	50.4%	19.6%	1.3%	0.2%
Total Classes	**Total - All Assets**	**11,886**	**11,886**	**32,202**	**37,670**	**2,313,822**	**2,724,098**	28.3%	56.9%	13.4%	1.1%	0.3%

Infrastructure Asset Condition Assessment

Level	Condition	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

[1] Estimated cost to bring assets to the agreed level of service set by Council represents the sum of outstanding renewal works, valued as the work will be undertaken. Council will make future budgeting decisions in relation to these outstanding works with those decisions likely to be prioritised in Council's forward plans based on social, economic and environmental factors, including risk to the community. As the agreed service levels are yet to be determined the estimated cost to bring to a satisfactory standard has been used.

Northern Beaches Council

Special Schedules
as at 30 June 2018

Special Schedule 7 - Report on infrastructure assets

Infrastructure asset performance indicators – consolidated

	2018 $'000	Current Year indicators	2017	Benchmark
Building and infrastructure renewals ratio				
Asset renewals (renewals only for Infrastructure Assets listed above)	25,665	99.79%	92.22%	>100%
Depreciation, amortisation and impairment	25,720			
Infrastructure backlog				
Estimated cost to bring assets to a satisfactory condition	11,886	0.51%	0.29%	<2%
Net carrying amount of infrastructure assets	2,313,822			
Asset maintenance ratio				
Actual asset maintenance	37,670	116.98%	103.74%	>100%
Required asset maintenance	32,202			
Cost to bring assets to agreed service level				
Estimated cost to bring to an agreed level of service set by council	11,886	0.44%	0.25%	
Gross replacement cost	2,724,098			

INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Northern Beaches Council

To the Councillors of Northern Beaches Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Northern Beaches Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had 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.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Weini Liao
Director

17 October 2018
SYDNEY