

# General Purpose and Special Purpose Financial Reports

1 July 2019 to 30 June 2020



northern  
beaches  
council



## Northern Beaches Council

### FINANCIAL COMMENTARY 2019/20

#### INTRODUCTION

This commentary provides the highlights of Council's 2019/20 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 28).

The Financial Statements are made up of the following:

- General Purpose Financial Statements – pages 11 to 101
- Special Purpose Financial Statements – pages 102 to 117
- Special Schedules – pages 118 to 126

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.

#### 2019/20 SUMMARY RESULTS

• Total Income from Continuing Operations	\$365.9m
• Total Expenses from Continuing Operations	\$347.3m
• Net Operating Result for the period	\$18.6m
• Net Operating Result for the period before Capital Grants and Contributions	(\$16.5m)

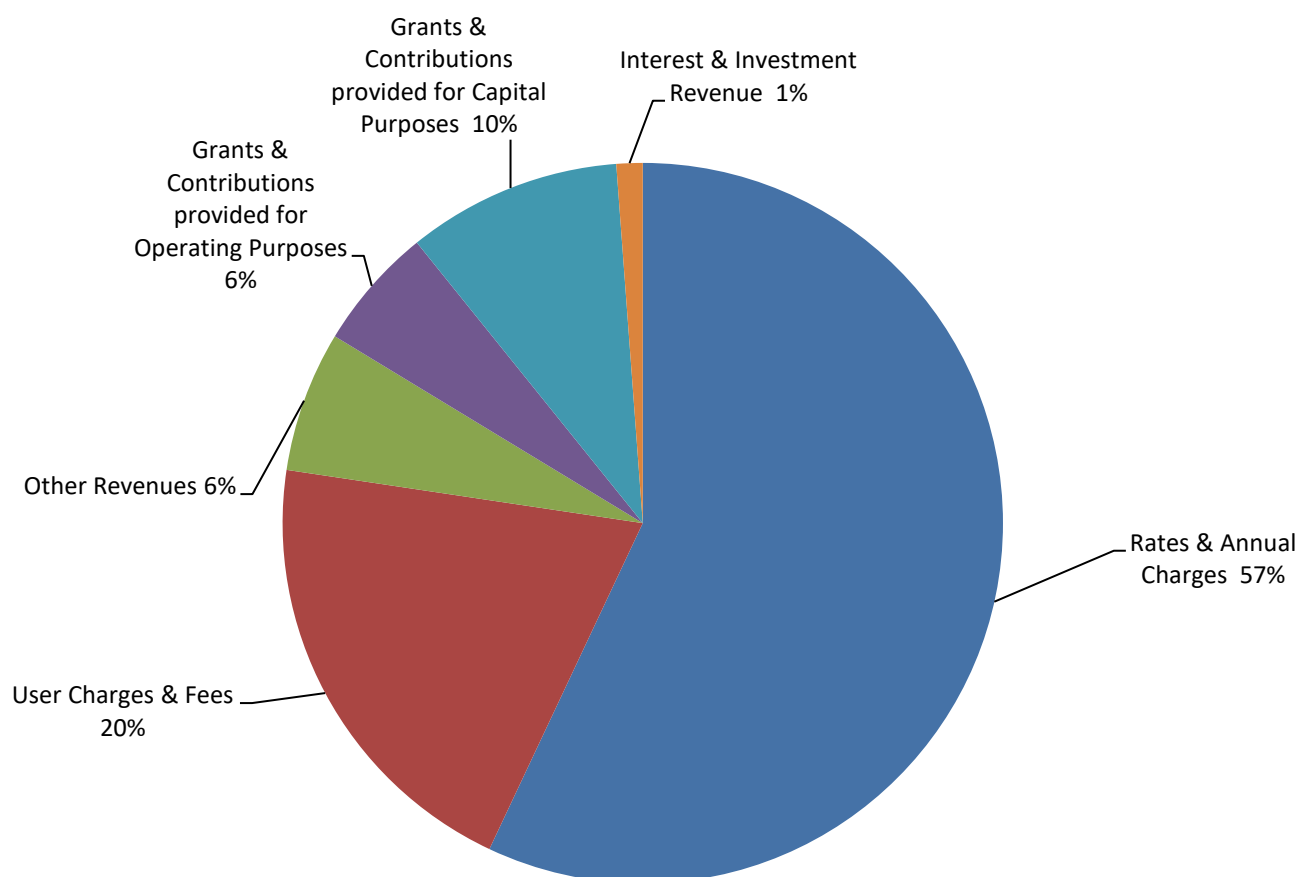
• New Capital Works	\$36.8m
• Capital Renewal Works	\$46.8m
• Non-cash Asset Dedications	\$13.6m
• Total Capital Expenditure	\$97.2m

• Total Assets	\$5,262.7m
• Total Liabilities	\$177.1m
• Net Assets	\$5,085.5m

• Unrestricted Current Ratio	2.1x
• Debt Service Cover Ratio	3.7x
• Building & Infrastructure Renewals Ratio	121.3%

## Northern Beaches Council

## INCOME FROM CONTINUING OPERATIONS



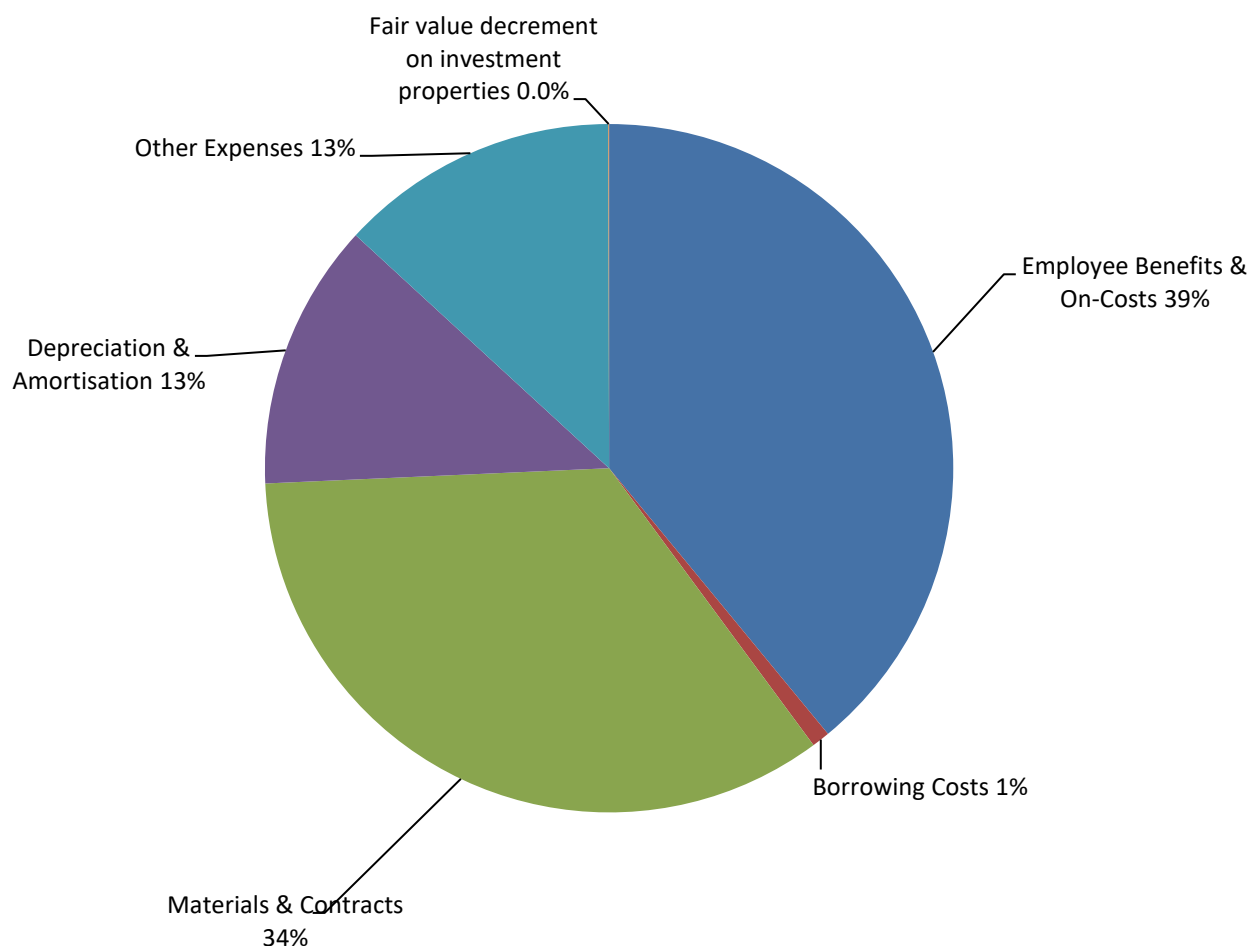
Income Items	1 July 2019 - 30 June 2020
	Actual (\$'000)
Rates & Annual Charges	208,594
User Charges & Fees	74,512
Other Revenues	23,119
Grants & Contributions provided for Operating Purposes	20,230
Grants & Contributions provided for Capital Purposes	35,194
Interest & Investment Revenue	4,300
Net gain from the disposal of assets	6
<b>Total Income from Continuing Operations</b>	<b>365,955</b>

## Northern Beaches Council

Year Ended 30-Jun-20	Year Ended 30-Jun-19	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
208,594	211,058	(2,464)	-1.2%	<b>Rates &amp; annual charges</b>
Rates were \$166.7m and total Annual Charges were \$41.9m. Annual Charges for the period are predominantly represented by domestic waste charges. Income from domestic waste charges reduced by \$7.5m (15%) on the prior year. The new waste service commenced 1 July 2019, with efficiencies achieved through the merged service resulting in lower costs and lower charges for customers.				
74,512	81,581	(7,069)	-8.7%	<b>User charges &amp; fees</b>
User charges & fees include \$23.6m in fees at the Kimbriki Waste & Recycling Centre (\$1.3m increase on the prior year), with the balance in fees charged by Council for the services it provides. Major items include Child Care fees of \$9.5m, Parking Fees of \$11.2m, \$6.6m from the Manly Andrew Boy Charlton and the Warringah Aquatic Centres, \$5m in Planning & Building Regulation fees and \$4.8m from the Lakeside Caravan Park. The COVID-19 pandemic significantly impacted user fees and charges as a result of closed services and less demand for others. Major variances to 2018/19 results included aquatic centres (\$0.562m), the caravan park (\$0.930m), Community Centres (\$0.604m), parking areas (\$2.114m) and Glen Street Theatre (\$0.213m). Child care fees were also impacted (\$2.681m), with government grants supplementing the fees during the 'fee free' period.				
4,300	6,696	(2,396)	-35.8%	<b>Interest and investment revenue</b>
Interest and investment revenue was lower than the previous financial year as a result of decreased interest rates and lower cash on hand. Council's investment portfolio performed strongly over the financial period returning an average of 1.95%, compared to the bank bill benchmark return of 1.42%.				
23,119	25,547	(2,428)	-9.5%	<b>Other revenues</b>
Other Revenues included \$2m raised through the Kimbriki Waste & Recycling Centre (\$0.535m decrease on prior year) and \$21.1m from Council operations. Major items include \$6.2m in Parking Fines, \$9.3m from property leases and rent, \$0.9m in advertising income and \$0.6m from the Container Deposit Scheme. The COVID-19 pandemic has impacted other revenues including a reduction compared to the prior year in income from advertising (\$0.321m) and parking fines (\$1.495m).				
20,230	15,478	4,752	30.7%	<b>Grants &amp; contributions provided for operating purposes</b>
Significant items included: - \$2.485m COVID-19 child care grants (\$1.148m NSW Govt & \$1.337m Cth Govt) - to supplement fees - \$0.690m NSW RFS Local Government grants - \$0.614m Accelerated streetlight replacement program - \$1m Stronger Communities fund round 2 Barrenjoey HS performance space				
35,194	18,111	17,083	94%	<b>Grants &amp; contributions provided for capital purposes</b>
Significant items in 2019/20 include: - \$13.649m Non-cash dedications including the B-Line carpark Warriewood from Transport NSW - \$1.504m Stronger Communities Fund round 2 Currawong cottages - \$1.967m Collaroy-Narrabeen coastal protection works				
6	176	(170)	-97%	<b>Net gain from the disposal of assets</b>
Gains on disposal of assets were \$0.006m compared to a gain of \$0.176m in 2018/19. Disposals included a land swap transaction at Fern Creek in Warriewood for \$1.181m (less \$1.413m asset book value) and the sale of a road reserve at Whale Beach for \$0.100m.				
365,955	358,647	7,308	2.0%	<b>TOTAL INCOME</b>

## Northern Beaches Council

## EXPENSES FROM CONTINUING OPERATIONS



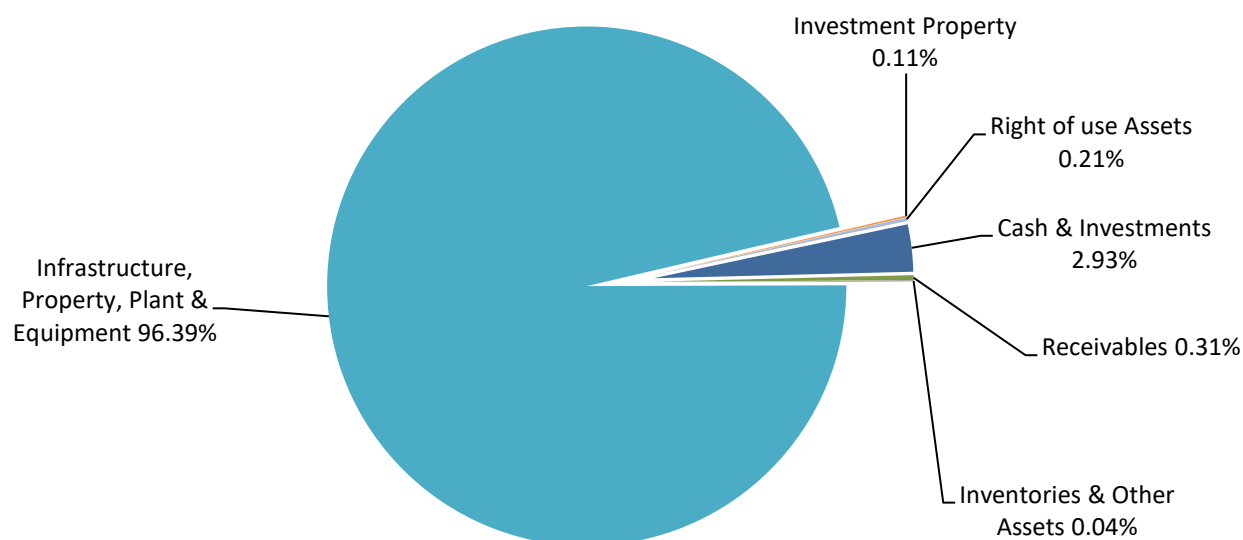
Expense Items	1 July 2019 - 30 June 2020
	Actual (\$'000)
Employee Benefits & On-Costs	135,555
Borrowing Costs	2,947
Materials & Contracts	119,524
Depreciation & Amortisation	43,546
Other Expenses	45,604
Fair value decrement on investment properties	130
<b>Total Expenses from Continuing Operations</b>	<b>347,306</b>

## Northern Beaches Council

Year Ended 30-Jun-20	Year Ended 30-Jun-19	Incr/(Decr)		Details
\$'000	\$'000	\$'000	%	
135,555	129,500	6,055	4.7%	<b>Employee Benefits &amp; On-Costs</b>
Total Employee Benefits & On-Costs were \$135.555m which represent 39% of Council's Total Expenses from Continuing Operations. Employee leave entitlement expenses were \$2.9m lower than the 2018/19 financial year as the prior year was impacted by falling Commonwealth bond rates which increased the value of future entitlements by \$1.8m. While the provision has again been impacted by falling bond rates, this was offset by lower future award increases. Workers compensation expenses were higher than the prior year due to an increase in claims and the rolling claims history for the merged Council. Appointments were made to roles temporarily undertaken by agency staff (within Materials & Contracts) in the 2018/19 financial year, resulting in higher employee costs in some areas with an offsetting reduction in Materials & Contracts expenses (agency costs are \$2.6m lower than the prior year).				
2,947	3,277	(330)	-10.1%	<b>Borrowing Costs</b>
Total Borrowing Costs were \$2.947m for the financial period compared to 2018/19 of \$3.277m. Borrowing Costs consist of interest on loans of \$1.374m, \$0.381m interest on leases and the amortisation of discounts for remediation liabilities for the Kimbriki Waste Landfill \$1.222m. The lower costs in comparison to 2018/19 were due to lower interest rates on variable loans and the reduced principal owing on loans, the introduction of lease accounting from 1 July 2019 and an update in the remediation provision for the landfill site.				
119,524	111,544	7,980	7.2%	<b>Materials &amp; Contracts</b>
Total Materials & Contracts were \$119.5m compared to an original budget of \$117m. This included \$14.3m in expenses at the Kimbriki Waste & Recycling Centre (\$3.2m higher than the prior year) and \$105.2m relating to Council's operations. The largest contracts include \$16m in waste disposal costs and \$16.4m in waste collection costs. Agency costs were \$2.6m lower than the 2018/19. \$3.2m was invested in replacing streetlights with energy efficient LED lights while storms in November 2019 and February 2020 resulted in \$4m in clean-up and restoration costs.				
43,546	39,629	3,917	9.9%	<b>Depreciation &amp; Amortisation</b>
Increased depreciation was associated with the creation of new assets and renewal of a significant number of assets over the past 12 months including new waste bins (\$1.4m), waste compactors and street sweepers, transport assets and building assets. New lease accounting resulted in a new expense for the amortisation of leases for \$1.347m (primarily related to the waste collection contract)				
45,604	46,552	(948)	-2.0%	<b>Other Expenses</b>
Major items within Other Expenses include \$7.828m Waste Levy, \$4.466m in electricity, heating and water, \$6.194m NSW Government Emergency Services Levy, \$2.574m in insurance costs and \$2.635m for street lighting. The most significant increase during the year was an additional \$2.541m for in donations and contributions primarily due to the Barrenjoey High School performance space project (Stronger Communities Fund) \$1m and \$1.5m in business and community support due to the COVID-19 pandemic. Costs for street lighting decreased (\$1.160m) as did electricity, heating and water expenses (\$0.915m) compared to 2018/19.				
130	120	10	8.3%	<b>Fair value decrement on investment properties, Revaluation decrement of IPPE &amp; Net share of interests</b>
Fair value decrement on investment properties was \$0.130m for the financial period representing a reduction in the fair value of Council's three investment properties. There were no revaluation decrements or joint ventures and associates transactions in 2019-20.				
347,306	330,622	16,684	5.0%	<b>TOTAL EXPENSES</b>

## Northern Beaches Council

## ASSETS



	30 June 2020
Asset Items	Actual
	(\$'000)
<b>Current Assets</b>	
Cash & Cash Equivalents	6,199
Investments	147,311
Receivables	15,421
Inventories	403
Other	1,572
<b>Total Current Assets</b>	<b>170,906</b>
<b>Non Current Assets</b>	
Investments	779
Receivables	1,136
Infrastructure, Property, Plant & Equipment	5,072,703
Investment Property	5,835
Right of use Assets	11,289
Other	4
<b>Total Non Current Assets</b>	<b>5,091,746</b>
<b>TOTAL ASSETS</b>	<b>5,262,652</b>

## Northern Beaches Council

### ASSETS

#### Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments totalled \$154.289m as at 30 June 2020. This represents a decrease of \$41.532m from the 2018/2019 balance. This is principally due to the delivery of projects funded through large grants including the Stronger Communities Fund and B-Line grants, funding the clean up and restoration costs of large summer storms and the impact of the COVID-19 pandemic due to a loss in income, larger rates receivable balances and support packages for small business and the community.

#### Receivables

Receivables totalled \$16.557m as at 30 June 2020, a \$3.574m reduction on the 2018/19 balance of \$20.131m. While rates receivables were \$0.8m (3% higher), this was offset by reductions in receivables for user charges and fees (\$1.2m), interest on investments (\$1.4m) and government grants (\$1.3m).

#### Inventories

Inventories totalled \$0.403m as at 30 June 2020 and are represented by stores, materials and trading stock. This was higher than the 2018/19 balance of \$0.217m primarily due to additional stock on hand in response to the COVID-19 pandemic.

#### Other Assets

Other Assets are represented by Prepayments which totalled \$1.576m at 30 June 2020. This was comparable to the 2018/19 balance of \$1.447m.

#### Infrastructure, Property, Plant and Equipment

Infrastructure, Property, Plant and Equipment totalled \$5.072b as at 30 June 2020. This represents an increase of \$94.915m from the 2018/19 balance. During the financial year a full revaluation of stormwater assets, land under roads and community and crown land was undertaken, resulting in a \$46.9m increase in the value of the asset classes. This surplus is held in equity under the heading of IPP&E Revaluation Surplus.

The result was an adjustment to the values as follows:

		Prior to Revaluation \$'000	After Revaluation \$'000	Movement \$'000	%
Stormwater assets	Gross Carrying Amount	955,031	977,219	22,188	
	Accumulated Depreciation	-156,360	-159,887	-3,527	
	<b>Total carrying value</b>	<b>798,671</b>	<b>817,332</b>	<b>18,661</b>	<b>2.3%</b>
Crown land, community land and land under roads	Gross Carrying Amount	2,084,283	2,112,531	28,248	
	Accumulated Depreciation	0	0	0	
	<b>Total carrying value</b>	<b>2,084,283</b>	<b>2,112,531</b>	<b>28,248</b>	<b>1.4%</b>
<b>Total</b>		<b>2,882,954</b>	<b>2,929,863</b>	<b>46,909</b>	<b>1.6%</b>

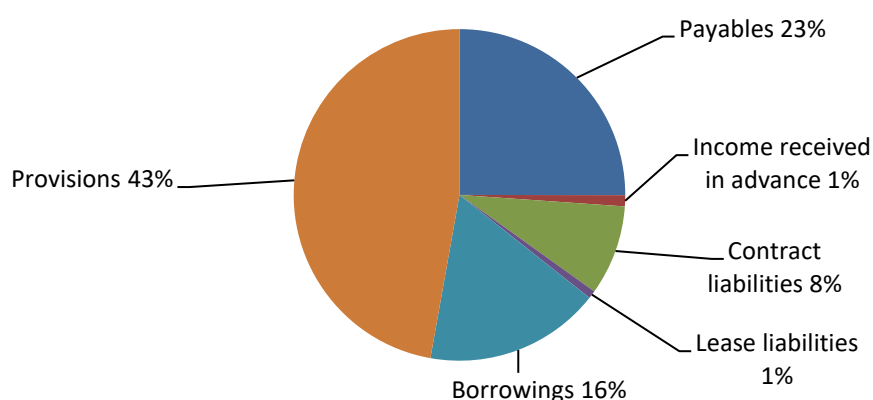
#### Investment Property

Council's investment properties total \$5.835m as at 30 June 2020. Council holds three investment properties located at Sydney Road Balgowlah, Condamine Street Balgowlah and Pittwater Road Brookvale. A revaluation was undertaken of Council's three investment properties which resulted in a reduction in the total fair value of \$0.130m which was expensed to the Income Statement through the Fair Value Decrement on Investment Properties.



## Northern Beaches Council

## LIABILITIES



30 June 2020	
Liability Items	Actual (\$'000)
<b>Current Liabilities</b>	
Payables	40,055
Income received in advance	1,732
Contract liabilities	14,050
Lease liabilities	1,230
Borrowings	5,137
Provisions	35,875
<b>Total Current Liabilities</b>	<b>98,079</b>
<b>Non-Current Liabilities</b>	
Payables	250
Contract liabilities	6,580
Lease liabilities	10,211
Borrowings	22,319
Provisions	39,664
<b>Total Non-Current Liabilities</b>	<b>79,024</b>
<b>TOTAL Liabilities</b>	<b>177,103</b>

**Payables**

Payables totalled \$41.837m at 30 June 2020 which represented a decrease of \$3.455m from the 2018/19 balance. The 2018/19 balance was higher due to a high volume of invoices in the June month due to the timing of capital expenditure projects including the domestic waste bin roll out and works in Dee Why town centre that were not yet due for payment. The principal components of the balance in 2019/20 are Accounts Payable and Accrued Expenses of \$20.5m and Deposits and Retentions of \$17.4m. A change in accounting standards requires prepaid rates to be recognised from 2019/20 within payables - the balance is \$1.8m.

**Borrowings**

Borrowings totalled \$27.456m at 30 June 2020 which represented a decrease of \$5.163 from the 2018/2019 balance of \$32.619m due to the ongoing repayment of existing loans.

**Provisions**

Provisions totalled \$75.539m at 30 June 2020. This represents a decrease of \$0.715m from the 2018/2019 balance. Provisions comprise employee leave entitlements (\$37.5m), workers compensation self insurance (\$2.7m) and tip remediation (\$35.3m). The remediation provision was re-assessed, resulting in a \$2.5m reduction in the required provision, while employee leave entitlements increase \$2.4m due to increases in pay and a reduction in leave taken due to COVID-19. The self insurance provision increased \$0.819m to provide for future claims.

## Northern Beaches Council

## KEY PERFORMANCE INDICATORS

	2020	
Operating Performance	-4.97%	X
Own Source Operating Revenue	84.85%	✓
Unrestricted Current Ratio	2.09x	✓
Debt Service Cover Ratio	3.70x	✓
Rates & Annual Charges Outstanding Percentage	4.12%	✓
Cash Expense Cover Ratio	5.39 months	✓
Buildings & Infrastructure Renewals Ratio	121.34%	✓
Infrastructure Backlog	1.38%	✓
Asset Maintenance Ratio	107.92%	✓
Cost to bring assets to agreed service level	1.15%	

**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%.

The COVID-19 pandemic has impacted revenue streams for services, resulting in additional costs to support the community and businesses, along with the cost of responding to significant summer storms. While the Council has adjusted expenditure programs in 19/20 and 20/21 to provide capacity to respond to these issues, this has resulted in an operating deficit result in 2019/20.

Council's Operating Performance Indicator at -4.97% is below the benchmark of 0% mainly due to the reasons noted above.

**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 84.85% is well above the benchmark of 60% highlighting Council's financial flexibility.

**Unrestricted Current Ratio**

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

Council's Unrestricted Current Ratio of 2.09 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 3.70 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. The ratio is slightly higher than 2018/19 due to additional payment arrangements to support customers facing financial hardship due to the COVID-19 pandemic.

Council's rates and annual charges outstanding ratio of 4.12% is within the benchmark of under 5%.

### Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Council's ratio of 5.39 months is within the benchmark of greater than 3 months.

### 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 121.34% is above the benchmark of 100% and represents the timing of the completion of projects and the Council's recent investment in the renewal of infrastructure assets.

### Infrastructure Backlog Ratio

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

Council's Infrastructure Backlog Indicator is 1.38% which is below the benchmark of 2% indicating that Council does not have a comparatively significant infrastructure backlog.

### Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. A ratio of above 100% indicates that the Council is investing enough funds within the year to stop the infrastructure backlog from growing. The benchmark is greater than 100%.

Council's Asset Maintenance Ratio of 107.92% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.

### Cost to Bring Assets to Agreed Service Level

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

This ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is easier for Councils to calculate with greater consistency year to year. Council's ratio of 1.15% 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 2020

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# Northern Beaches Council

## General purpose financial statements

for the year ended 30 June 2020

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

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

These financial statements were authorised for issue by the Council on 29 September 2020. 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](http://www.northernbeaches.nsw.gov.au).

#### PRINCIPAL PLACE OF BUSINESS

725 Pittwater Road  
Dee Why NSW 2099

#### OPENING HOURS

Monday to Friday  
8.30am - 5.00pm

#### CONTACT DETAILS

##### Mailing Address:

DX 9118  
Dee Why NSW 2099

**Telephone:** 1300 434 434

**Facsimile:** 02 9971 4522

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

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

#### OTHER INFORMATION

ABN: 57 284 295 198

#### AUDITORS

Audit Office of New South Wales

## Northern Beaches Council

### General purpose financial statements

for the year ended 30 June 2020

### Statement by Councillors and Management

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

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

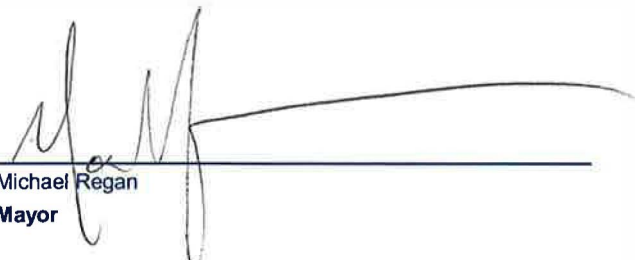
- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Northern Beaches Council made on 29 September 2020.



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Michael Regan  
Mayor



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Sarah Grattan  
Councillor



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David Walsh  
Responsible Accounting Officer



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Ray Brownlee  
Chief Executive Officer

# Northern Beaches Council

## Income Statement

for the year ended 30 June 2020

Original Unaudited Budget 2020 \$'000	Notes	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>Income from continuing operations</b>			
<b>Revenue:</b>			
211,730 Rates and annual charges	3a	208,594	211,058
84,115 User charges and fees*	3b	74,512	81,581
24,926 Other revenues*	3c	23,119	25,547
20,312 Grants and contributions provided for operating purposes	3d,e	20,230	15,478
29,246 Grants and contributions provided for capital purposes	3d,e	35,194	18,111
5,687 Interest and investment revenue	4	4,300	6,696
<b>- Other Income:</b>			
1,073 Net gain from the disposal of assets	6	6	176
<b>377,088 Total income from continuing operations</b>		<b>365,955</b>	<b>358,647</b>
<b>Expenses from continuing operations</b>			
131,697 Employee benefits and on-costs*	5a	135,555	129,500
3,441 Borrowing costs	5b	2,947	3,277
117,425 Materials and contracts*	5c	119,524	111,544
38,795 Depreciation and amortisation	5d	43,546	39,629
51,824 Other expenses*	5e	45,604	46,552
- Fair value decrement on investment properties	11	130	120
<b>343,183 Total expenses from continuing operations</b>		<b>347,306</b>	<b>330,622</b>
<b>33,906 Operating result from continuing operations</b>		<b>18,649</b>	<b>28,025</b>
<b>- Operating Result from discontinued operations</b>			
		-	-
<b>33,906 Net operating result for the period</b>		<b>18,649</b>	<b>28,025</b>
<b>33,906 Net result for the period</b>			
<b>Attributable to:</b>			
33,771 - Council		18,552	27,893
135 - Non-controlling Interests		97	132
33,906		18,649	28,025
<b>Net operating result for the period before grants and contributions provided</b>			
<b>4,660 for capital purposes</b>		<b>(16,545)</b>	<b>9,914</b>

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

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

The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

# Northern Beaches Council

## Statement of Comprehensive Income

for the year ended 30 June 2020

		Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
	Notes		
<b>Net result for the period - from Income Statement</b>		<b>18,649</b>	<b>28,025</b>
<b>Other Comprehensive Income</b>			
<i>Amounts that will not be reclassified subsequent to operating result</i>			
Gain on revaluation infrastructure property, plant and equipment	10	46,909	12,828
<b>Total other Comprehensive Income for the period</b>		<b>46,909</b>	<b>12,828</b>
<b>Total comprehensive income for the period</b>		<b>65,558</b>	<b>40,853</b>
Attributable to:			
- Council		65,461	40,721
- Non-controlling Interests		97	132

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

The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.



# Northern Beaches Council

## Statement of Financial Position

as at 30 June 2020

		Actual 2020 \$'000	Actual <sup>1</sup> 2019 \$'000
	Notes		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7a	6,199	7,052
Investments	7b	147,311	187,917
Receivables	8	15,421	18,972
Inventories	9	403	217
Other	9	1,572	1,272
<b>Total current assets</b>		<b>170,906</b>	<b>215,430</b>
<b>Non-current assets</b>			
Investments	7b	779	852
Receivables	8	1,136	1,159
Infrastructure, property, plant and equipment	10	5,072,703	4,977,788
Investment property	11	5,835	5,965
Right of use assets	13a	11,289	-
Other	9	4	175
<b>Total non-current assets</b>		<b>5,091,746</b>	<b>4,985,939</b>
<b>Total assets</b>		<b>5,262,652</b>	<b>5,201,369</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	40,055	43,760
Income received in advance	12	1,732	3,972
Contract liabilities	12	14,050	-
Lease liabilities	13b	1,230	-
Borrowings	14	5,137	5,129
Provisions	15	35,875	33,586
<b>Total current liabilities</b>		<b>98,079</b>	<b>86,447</b>
<b>Non-current liabilities</b>			
Payables	14	250	-
Contract liabilities	12	6,580	-
Lease liabilities	13b	10,211	-
Borrowings	14	22,319	27,490
Provisions	15	39,664	41,238
<b>Total non-current liabilities</b>		<b>79,024</b>	<b>68,728</b>
<b>Total liabilities</b>		<b>177,103</b>	<b>155,175</b>
<b>Net assets</b>		<b>5,085,549</b>	<b>5,046,194</b>
<b>Equity</b>			
Accumulated Surplus	16	4,866,209	4,873,907
IPP&E Revaluation Surplus	16	218,154	171,245
<b>Council interest</b>		<b>5,084,363</b>	<b>5,045,152</b>
<b>Non-controlling equity interest</b>		<b>1,186</b>	<b>1,042</b>
<b>Total equity</b>		<b>5,085,549</b>	<b>5,046,194</b>

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

<sup>1</sup> Comparatives have not been restated when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 Revenue from contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

## Northern Beaches Council

### Statement of Changes in Equity

for the year ended 30 June 2020

	Actual 2020					
	Accumulated Surplus	IPP&E Revaluation Surplus	Other Reserves	Council Equity Interest	Non- controlling Interest	Total Equity
<b>Opening Balance</b>	4,873,907	171,245	-	5,045,152	1,042	<b>5,046,194</b>
Changes due to AASB 1058 and AASB 15 adoption (note 16)	(26,204)	-	-	(26,204)	-	<b>(26,204)</b>
Transfers between Equity items	(46)			(46)	47	<b>1</b>
<b>Restated Opening Balances</b>	<b>4,847,657</b>	<b>171,245</b>	<b>-</b>	<b>5,018,902</b>	<b>1,089</b>	<b>5,019,991</b>
Net Operating Result for the year	18,552	-	-	18,552	97	<b>18,649</b>
Gain (loss) on revaluation of Infrastructure, property, plant and equipment	-	46,909	-	46,909	-	<b>46,909</b>
<b>Total Comprehensive Income</b>	<b>18,552</b>	<b>46,909</b>	<b>-</b>	<b>65,461</b>	<b>97</b>	<b>65,558</b>
<b>Closing Balance</b>	<b>4,866,209</b>	<b>218,154</b>	<b>-</b>	<b>5,084,363</b>	<b>1,186</b>	<b>5,085,549</b>

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

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

<sup>1</sup> Comparatives have not been restated when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 Revenue from contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

# Northern Beaches Council

## Statement of Cash Flows

for the year ended 30 June 2020

Original Unaudited Budget 2020 \$'000	Notes	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 <sup>1</sup> \$'000
<b>Cash flows from operating activities</b>			
<b><u>Receipts:</u></b>			
210,131 Rates and annual charges		207,777	212,012
83,904 User charges and fees		78,491	84,761
5,687 Investment revenue and interest		5,710	5,965
34,074 Grants and contributions		38,074	30,511
5,537 Bonds, deposits and retentions received		5,740	5,537
24,926 Other		41,213	41,897
<b><u>Payments:</u></b>			
(131,543) Employee benefits and on-costs*		(132,220)	(124,964)
(129,131) Materials and contracts		(137,714)	(114,018)
(1,523) Borrowing costs		(3,025)	(3,326)
(5,537) Bonds, deposits and retentions refunded		(6,386)	(4,967)
(43,549) Other*		(56,258)	(58,636)
<b>52,976</b>	<b>17(b)</b>	<b>41,402</b>	<b>74,772</b>
<b>Cash flows from investing activities</b>			
<b><u>Receipts:</u></b>			
- Sale of investments		347,119	313,991
1,582 Sale of infrastructure, property, plant & equipment		3,619	5,627
<b><u>Payments:</u></b>			
- Purchase of investment securities		(306,465)	(290,480)
(110,310) Purchase of infrastructure, property, plant and equipment		(80,171)	(97,931)
<b>(108,728)</b>		<b>(35,898)</b>	<b>(68,793)</b>
<b>Cash Flows from financing activities</b>			
<b><u>Payments:</u></b>			
(4,893) Repayment of borrowings and advances		(5,162)	(4,964)
- Lease liabilities (principal repayments)		(1,195)	-
<b>(4,893)</b>		<b>(6,357)</b>	<b>(4,964)</b>
<b>(60,645)</b>		<b>(853)</b>	<b>1,015</b>
184,260 Cash and cash equivalents at beginning of reporting period		7,052	6,037
<b>123,615</b>	<b>17(a)</b>	<b>6,199</b>	<b>7,052</b>

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

<sup>1</sup> Comparatives have not been restated when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 Revenue from contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1 Basis of Preparation

These financial statements were authorised for issue by Council on 29 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (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) 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.

##### (b) 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 Council 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 asset remediation provisions - refer Note 15
- (iv) employee benefit provisions - refer Note 15

###### *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 8

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

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

- general purpose operations
- Kimbriki Environmental Enterprises Pty Limited

##### (b) The Trust Fund

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

#### Goods and Services Tax (GST)

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

Receivables and payables 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.

#### Volunteer Services

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1 Basis of Preparation (continued)

#### 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 2020 reporting periods. Northern Beaches Council's assessment of the impact of these new standards and interpretations relevant to them is set out on the following pages.

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

AASB 2015-10 has delayed the effective date of this standard.

AASB 2017-5 defers the effective date of AASB 2014-10 to 1 January 2022

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

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

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

*AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059*

*AASB 2019 -2 Amendments to Australian Accounting Standards - Implementation of AASB 1059*

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

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

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

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

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

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

Northern Beaches Council has not applied any pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1 Basis of Preparation (continued)

#### New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020. The standards which had an impact on reported position, performance or disclosures have been discussed in Note 16.

The following new standards are effective for the first time at 30 June 2020.

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

*AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015 – 2017 Cycle and Other Amendments [AASB 1, AASB 128, AASB 140]*

*AASB 15 Revenue from contracts with customers*

*AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*

*AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15*

*AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*

*AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for NFP entities*

*AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP entities*

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

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

*AASB 1058 Income of NFP Entities*

*AASB 16 Leases*

*AASB 2018-3 – Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

*AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059.*

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### 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 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Environment and Sustainability	5,959	3,085	38,069	35,059	(32,110)	(31,974)	3,025	595	818,017	810,859
Waste and Cleansing	42,337	49,369	62,820	57,875	(20,483)	(8,506)	278	261	18,761	26,241
Kimbriki Resource Recovery Centre	26,022	25,274	19,983	18,778	6,039	6,496	-	-	60,459	42,932
Strategic Land Use Planning	1,184	1,172	6,511	6,249	(5,327)	(5,077)	29	115	32,020	32,794
Development Assessment	2,992	3,355	6,613	6,635	(3,621)	(3,280)	-	-	-	-
Environmental Compliance	8,745	10,386	12,944	13,109	(4,199)	(2,723)	-	-	-	187
Parks and Recreation	5,190	3,625	38,512	35,648	(33,322)	(32,023)	2,536	620	355,315	361,366
Children's Services	13,546	13,367	14,474	14,559	(928)	(1,192)	4,007	1,160	9,236	9,096
Community, Arts and Culture	5,442	5,288	14,876	12,757	(9,434)	(7,469)	1,789	904	14,160	15,930
Library Services	1,000	1,003	11,084	10,323	(10,084)	(9,320)	745	706	43,964	44,091
Transport, Traffic and Active Travel	23,159	23,019	38,414	35,397	(15,255)	(12,378)	5,873	3,345	829,789	823,847
Economic Development, Events and Engagement	742	1,120	10,979	10,243	(10,237)	(9,123)	-	-	-	390
Property and Facilities	38,517	28,143	46,271	42,621	(7,754)	(14,478)	1,744	130	2,938,035	2,884,575
Governance and Assurance Services	185	368	11,449	11,939	(11,264)	(11,571)	-	-	-	-
Customer Services	891	1,093	3,496	3,497	(2,605)	(2,404)	-	-	-	-
Corporate Support Services	14,245	17,099	10,811	15,933	3,434	1,166	862	2,445	142,896	149,061
<b>Total functions &amp; activities</b>	<b>190,156</b>	<b>186,766</b>	<b>347,306</b>	<b>330,622</b>	<b>(157,150)</b>	<b>(143,856)</b>	<b>20,888</b>	<b>10,281</b>	<b>5,262,652</b>	<b>5,201,369</b>
Shares of gains or losses in associates & joint ventures using equity method	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	175,799	171,881	-	-	175,799	171,881	8,086	7,881	-	-
<b>Operating result for the financial period</b>	<b>365,955</b>	<b>358,647</b>	<b>347,306</b>	<b>330,622</b>	<b>18,649</b>	<b>28,025</b>	<b>28,974</b>	<b>18,162</b>	<b>5,262,652</b>	<b>5,201,369</b>

<sup>1</sup> As reported in the Income Statement



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 2(b) Components of functions or activities

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

#### Environment and Sustainability

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

#### Kimbriki Resource Recovery Centre

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

#### Development Assessment

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

#### Parks and Recreation

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

#### Community, Arts and Culture

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

#### Transport, Traffic and Active Travel

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

#### Property and Facilities

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

#### Customer Services

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

#### Waste and Cleansing

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

#### Strategic Land Use Planning

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

#### Environmental Compliance

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

#### Children's Services

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

#### Library Services

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

#### Economic Development, Events and Engagement

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

#### Governance and Assurance Services

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

#### Corporate Support Services

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3 Revenue from continuing operations

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(a) Rates &amp; annual charges</b>		
<b>Ordinary Rates</b>		
Residential	139,493	135,046
Farmland	14	14
Business	26,893	26,304
Less: Pensioner rebates	(2,052)	(2,014)
Rates levied to ratepayers	<b>164,348</b>	<b>159,350</b>
Pensioner rate subsidies received	1,048	1,043
<b>Total ordinary rates</b>	<b>165,396</b>	<b>160,393</b>
<b>Special Rates</b>		
Business	1,311	1,277
<b>Total special rates</b>	<b>1,311</b>	<b>1,277</b>
<b>Annual Charges</b> (pursuant to s496, s501 & s611)		
Domestic Waste Management Services*	41,385	48,923
Stormwater management services charge	878	874
Section 611 charges	197	199
Pensioner subsidies: Domestic Waste Management	321	381
Less: Pensioner rebates	(894)	(989)
<b>Total Annual Charges</b>	<b>41,887</b>	<b>49,388</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>	<b>208,594</b>	<b>211,058</b>

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

\*Council's new Northern Beaches domestic waste service commenced on 1 July 2019, with a harmonised Domestic Waste Charges structure across the LGA.

#### Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period. Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

#### 2019 accounting policy:

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 2020

### Note 3 Revenue from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(b) User charges and fees</b>		
<b>User charges</b> (pursuant to s.502)		
Commercial Waste Management Services (non-domestic)	-	126
<b>Total user charges</b>	<b>-</b>	<b>126</b>
<b>Fees</b>		
Advertising Fees	765	858
Animal Registration	152	142
Aquatic Centres	6,596	7,158
Caravan Park	4,796	5,726
Cemeteries	1,015	1,051
Child Care	9,517	12,198
Coastal Environmental Centre	178	230
Community Centres	1,523	2,127
Currawong State Park	244	356
Film Permits	126	118
Glen Street Theatre	1,298	1,511
Golf Courses	1,947	1,806
Kimbriki Waste & Recycling Centre <sup>1</sup>	23,645	22,332
Leaseback Fees - Council Vehicle	767	780
Libraries	152	171
Parking Areas	11,186	13,300
Sportsfields and Reserves	1,485	1,606
Planning and Building Regulation	5,048	5,328
Regulatory/ Statutory Fees	586	831
Restoration Charges	1,391	1,674
Road Inspections	465	450
Section 10.7 Certificates (EPA Act)	707	686
Section 603 Certificates (LG Act)	417	350
Other <sup>2</sup>	506	666
<b>Total fees</b>	<b>74,512</b>	<b>81,455</b>
<b>Total user charges and fees</b>	<b>74,512</b>	<b>81,581</b>

#### Accounting policy for user charges and fees

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

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

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

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

#### 2019 accounting policy:

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

<sup>1</sup>2018/19 restated due to re-classification of recycling income-Kimbriki (\$94k)

<sup>2</sup>2018/19 restated due to re-classification of credit card surcharge (\$297k)

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3 Revenue from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(c) Other revenues</b>		
Advertising Income	893	1,214
Diesel Rebate	129	81
Ex Gratia Rates	26	25
First Time Recognition of Asset (non-cash)	-	1,056
Health & Compliance Fines	292	245
Income/Sponsorship	28	55
Insurance claims recoveries	50	97
Legal Fees Recovery - Other	185	365
Legal Fees Recovery - Rates & Charges (Extra Charges)	140	177
Other Fines	407	399
Other Revenues <sup>1</sup>	1,821	1,997
Other Revenues - Kimbriki <sup>2</sup>	2,019	2,554
Parking Fines	6,248	7,743
Recycling Income (Domestic)	640	180
Rental Income - Investment Properties	310	319
Rental Income - Leased Council Properties	5,501	5,156
Rental Income - Other Council Properties	3,512	3,053
Sale of Stock	918	832
<b>Total other revenue</b>	<b>23,119</b>	<b>25,547</b>

#### Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

#### 2019 accounting policy:

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

- Parking fines are recognised as revenue when received from NSW Revenue
- Rental income is accounted for on a straight line basis over the lease term
- Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of 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.

<sup>1</sup>2018/19 restated due to re-classification of commission & agency fees (\$15k) and other revenue Kimbriki (\$201k)

<sup>2</sup>2018/19 restated due to re-classification of credit card surcharge (\$294k)

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3 Revenue from continuing operations (continued)

	Operating		Capital	
	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(d) Grants</b>				
<b>General purpose (untied)</b>				
Financial Assistance - General Component				
- Relating to current year	2,824	2,756	-	-
- Prepayment received in advance for subsequent year	2,991	2,857	-	-
Financial Assistance - Local Roads Component				
- Relating to current year	1,101	1,113	-	-
- Prepayment received in advance for subsequent year	1,170	1,155	-	-
<b>Amount recognised as income during current year</b>	<b>8,086</b>	<b>7,881</b>	<b>-</b>	<b>-</b>
<b>Specific purpose (tied)</b>				
Child Care	4,007	1,160	-	-
Coast & Estuaries	-	-	1,967	193
Community Care	576	585	-	-
Community Centres	140	84	-	-
Environmental Programs	1,906	1,284	137	-
Heritage & Cultural	70	190	-	-
Library	133	207	612	498
LIRS Subsidy	466	559	-	-
Noxious Weeds	-	35	-	-
Recreation & Culture	10	6	820	508
Street Lighting	790	775	-	-
Stronger Communities Fund	1,153	-	4,313	-
Transport (Roads to Recovery)	-	-	1,418	782
Transport (Other Roads & Bridges Funding)	284	827	2,086	2,497
Other	-	-	-	91
<b>Total specific purpose</b>	<b>9,535</b>	<b>5,712</b>	<b>11,353</b>	<b>4,569</b>
<b>Total grants</b>	<b>17,621</b>	<b>13,593</b>	<b>11,353</b>	<b>4,569</b>
<b>Grant revenue is attributable to:</b>				
- Commonwealth Funding	9,774	8,224	1,652	1,105
- State Funding	7,775	5,276	9,701	3,464
- Other	72	93	-	-
	<b>17,621</b>	<b>13,593</b>	<b>11,353</b>	<b>4,569</b>

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3 Revenue from continuing operations (continued)

	Operating		Capital	
	Year	Year	Year	Year
	Ended	Ended	Ended	Ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
<b>(e) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s7.4 and s7.11 - EP&amp;A Act, s64 of the LGA):</b>				
<b>Cash contributions</b>				
- S 7.11 - contributions towards amenities/services	-	-	3,453	4,135
- S 7.12 - fixed development consent levies	-	-	4,163	3,855
<b>Non-cash contributions</b>				
Other developer contributions	-	-	1,182	442
<b>Total developer contributions</b>	<b>-</b>	<b>-</b>	<b>8,798</b>	<b>8,432</b>
<b>Other Contributions:</b>				
<b>Cash contributions</b>				
Bushfire Services	886	769	172	36
Community Care	29	-	54	-
Community Land	-	72	-	8
Community Services	203	-	36	-
Footpath	-	-	-	79
Library	-	-	1	-
Recreation & Culture	297	319	1,108	582
RMS Contributions (Regional/Local, Block Grant)	741	725	1,141	1,419
Street Lighting	453	-	-	-
Other	-	-	64	-
<b>Non-cash contributions</b>				
Subdivision dedications (other than by s7.11)	-	-	-	1,573
TfNSW Dedication of B-Line Carpark and Amenities	-	-	11,800	-
Other	-	-	667	1,413
<b>Total other contributions</b>	<b>2,609</b>	<b>1,885</b>	<b>15,043</b>	<b>5,110</b>
<b>Total contributions</b>	<b>2,609</b>	<b>1,885</b>	<b>23,841</b>	<b>13,542</b>
<b>Total grants and contributions</b>	<b>20,230</b>	<b>15,478</b>	<b>35,194</b>	<b>18,111</b>



## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3 Revenue from continuing operations (continued)

##### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include Stronger Communities Funds, various aged care and sector support payments, flood studies and other childcare subsidised payments. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants, and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control, and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

##### Grant income

Assets arising from grants in the scope of AASB1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

##### Capital Grants

Capital Grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

##### Contributions

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

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

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

##### Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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 below.

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 2020

### Note 3 Revenue from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(f) Unspent grants and contributions</b>		
Certain grants & contributions are obtained by Council on the condition they be spent in a specified manner:		
<b>Externally Restricted Operating Untied Grants</b>		
Recognised as income in the current period but not yet spent	-	912
Received for the provision of goods and services in a future period	159	-
Recognised in a previous reporting period now spent	(237)	(1,764)
<b>Net increase/(decrease) in operating grants held as restricted assets during the current reporting period</b>	<b>(78)</b>	<b>(852)</b>
<b>Externally Restricted Capital Untied Grants</b>		
Recognised as income in the current period but not yet spent	-	2,042
Received for the provision of goods and services in a future period	9	-
Recognised in a previous reporting period now spent	(200)	(10,261)
<b>Net increase/(decrease) in capital grants held as restricted assets during the current reporting period</b>	<b>(191)</b>	<b>(8,219)</b>
<b>Internally Restricted Operating Tied Grants</b>		
Received for the provision of goods and services in a future period	896	-
Received in a previous reporting period now spent and recognised as income	(1,607)	-
<b>Net increase/(decrease) in operating grants held as a liability during the current reporting period</b>	<b>(711)</b>	<b>-</b>
<b>Internally Restricted Capital Tied Grants</b>		
Received for the provision of goods and services in a future period	726	-
Received in a previous reporting period now spent and recognised as income	(4,991)	-
<b>Net increase/(decrease) in capital grants held as a liability during the current reporting period</b>	<b>(4,265)</b>	<b>-</b>
<b>Contributions</b>		
Recognised as income in the current period but not yet spent	-	9,328
Received for the provision of goods and services in a future period	10,591	-
Recognised in a previous reporting period now spent	(11,364)	(12,718)
<b>Net increase/(decrease) in contributions held as restricted assets during the current reporting period</b>	<b>(773)</b>	<b>(3,390)</b>

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3 Revenue from continuing operations (continued)

#### Nature of unspent grants and contributions

##### Closing balance unspent grants:

- Stronger Communities Fund	17,265	22,303
- New Council Implementation Fund	484	881
- Transport for NSW B-line projects	1,800	2,386
- ECE&C Childcare Funds	255	-
- Other grants	2,078	1,558
<b>Closing balance unspent grants - refer to Note 7c:</b>	<b>21,882</b>	<b>27,128</b>

##### Closing balance unspent contributions

- Developer contributions	32,020	32,794
<b>Closing balance unspent grants - refer to Note 25:</b>	<b>32,020</b>	<b>32,794</b>

### (g) Disaggregation of revenue

The following shows the revenue recognition pattern for the material streams of Council

	AASB 15 \$'000	AASB 1058 \$'000
<b>Revenue recognition at a point in time</b>		
Rates and annual charges	-	208,594
Financial assistance grants	-	8,086
User charges and fees - restorations	-	1,391
User charges and fees - statutory	8,140	-
Grant revenue and non-developer contributions	-	17,604
Developer contributions	-	8,798
Fines	-	6,655
Sale of stock	918	-
<b>Total revenue recognition at a point in time</b>	<b>9,058</b>	<b>251,128</b>
<b>Revenue recognised over time</b>		
Grant revenue	5,160	-
Grants to acquire or construct Council controlled assets	-	9,156
User charges and fees - aquatic centres, caravan park, golf centre	64,475	-
Other	2,250	-
<b>Total revenue recognised over time</b>	<b>71,885</b>	<b>9,156</b>

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 4 Interest and investment income

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
Interest on financial assets measured at amortised cost		
- Overdue rates and annual charges	443	471
- Cash and investments	3,831	6,202
Fair value adjustments		
- Investments at fair value through profit and loss (FVTPL)	26	23
<b>Total interest and investment revenue (losses)</b>	<b>4,300</b>	<b>6,696</b>

#### Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5 Expenses from continuing operations

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(a) Employee Benefits &amp; On-Costs</b>		
Salaries and Wages <sup>1</sup>	114,103	106,300
Employee Termination Costs	643	1,011
Employee Leave Entitlements (ELE)	11,973	14,900
Superannuation	12,281	11,697
Workers' Compensation Insurance <sup>2</sup>	2,265	1,249
Fringe Benefit Tax (FBT)	816	716
<b>Total Employee Costs</b>	<b>142,081</b>	<b>135,873</b>
Less: Capitalised Costs	(6,526)	(6,373)
<b>Total employee costs expensed</b>	<b>135,555</b>	<b>129,500</b>

#### Accounting policy for employee benefits and on-costs

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

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

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

Council participates in a defined benefit plan under Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable - refer to Note 20 for more information.

Workers compensation - Council is a self-insurer for workers compensation claims up to \$600k. Claims above this amount are covered by an external insurance provider. 'Workers compensation insurance' includes all costs associated with self-insurance and the external policy - refer to Note 20 for more information.

<sup>1</sup>2018/19 items have been re-classified in accordance with the Local Government Code of Accounting Practice (\$70k)

<sup>2</sup>2018/19 workers compensation Insurance has been restated to incorporate all costs associated with workers compensation arrangements (\$241k)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(b) Borrowing Costs</b>		
Interest on Loans	1,374	1,737
Interest on Leases	351	-
Amortisation of Discounts and Premiums		
- Remediation Liabilities	1,222	1,540
<b>Total borrowing costs expensed</b>	<b>2,947</b>	<b>3,277</b>

#### 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 as incurred.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5 Expenses from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(c) Materials &amp; contracts</b>		
Raw Materials & Consumables:		
- Maintenance & Servicing <sup>1</sup>	7,764	6,859
- Minor Equipment	613	796
- Plant & Vehicle	2,087	2,234
- Other	5,252	5,333
Contractor & Consultancy Costs:		
- Agency Personnel	4,385	6,999
- Bush Regeneration	4,283	4,028
- Cleaning	6,264	5,193
- Consultancy	345	533
- Coast & Waterways	762	895
- External Roadwork	8,017	4,057
- Golf Course & Driving Range	1,139	1,092
- Kimbriki Waste & Recycling Centre	14,281	11,112
- Land Use Planning	687	925
- Lifeguard Services	1,188	1,164
- Natural Hazards & Floodplain Management	607	1,842
- Parking	622	918
- Performance Fees	736	629
- NSW Revenue Fine Processing Fees	836	1,184
- Sportsfields & Vegetation <sup>1</sup>	5,974	5,354
- Stormwater	658	788
- Tree Works	5,662	3,363
- Waste Collection <sup>2</sup>	2,041	17,105
- Waste Disposal & Processing	16,049	14,862
- Other <sup>3</sup>	10,645	10,404
Remuneration of Auditors: <sup>4</sup>		
- Audit Services	220	229
- Other Services	-	14
Legal Fees:		
- Planning & Development	1,128	1,628
- Other	2,969	2,498
Expenses from short-term leases (2020 only)	5	-
Expenses from leases of low value assets (2020 only)	264	-
Expense from lease variable charges - Waste Collection	14,399	-
Operating Leases expense (2019 only):		
- Printers	-	285
- Other	-	92
Less: Capitalised Costs	(358)	(871)
<b>Total materials and contracts</b>	<b>119,524</b>	<b>111,544</b>

<sup>1</sup>2018/19 has been restated due to re-classification to sportsfields and vegetation (\$2,332k)

<sup>2</sup>The garbage collection & recycling has been consolidated into one line

<sup>3</sup>2018/19 has been restated due to re-classification of workers compensation insurance and New Council Implementation Fund (\$19k)



## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5 Expenses from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>4. Auditors' remuneration</b>		
Auditors of the Council - NSW Auditor General:		
a. During the period the following fees were paid or payable for services provided by the Auditor-General		
(i) Audit and other assurance services	-	-
(ii) Audit and review of financial statements	220	229
<b>Total fees paid or payable to the Auditor-General</b>	<b>220</b>	<b>229</b>
b. During the period the following fees were paid or payable for services provided by other auditors:		
(i) Other non-assurance services	-	-
(ii) Other assurance services	-	14
<b>Total fees paid or payable for non-assurance services</b>	<b>-</b>	<b>14</b>
<b>Total remuneration of auditors</b>	<b>220</b>	<b>243</b>

#### Accounting policy for materials and contracts

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

#### Operating leases (2019 only)

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.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5 Expenses from continuing operations (continued)

	Notes	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(d) Depreciation, Amortisation &amp; Impairment of Non-Financial Assets</b>			
<b>Depreciation and amortisation</b>			
Plant and Equipment	10	6,053	4,104
Office Equipment		2,438	2,006
Furniture & Fittings		33	42
Land Improvements (depreciable)		1,682	1,288
Infrastructure:			
- Buildings		8,427	8,239
- Roads Sealed		6,980	7,440
- Roads Unsealed		5	13
- Roads Other Assets		1,643	1,227
- Bridges		72	67
- Footpaths		741	878
- Stormwater Drainage		6,574	6,522
- Swimming Pools		378	438
- Open space/recreational assets		3,143	3,121
- Other Infrastructure		2,182	2,024
Other Assets:			
- Library Books		1,214	1,225
Right of use assets	13	1,347	-
Tip Asset		634	995
<b>Total depreciation and amortisation</b>		<b>43,546</b>	<b>39,629</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>43,546</b>	<b>39,629</b>

#### Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

##### Depreciation and amortisation

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life utilising a short-life / long-life methodology. Useful lives are included in Note 10 for IPPE assets and Note 13 for right of use assets.

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

##### Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5 Expenses from continuing operations (continued)

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>(e) Other Expenses</b>		
Other Expenses for the period include the following:		
Advertising	702	916
Bad & Doubtful Debts	148	204
Bank Charges <sup>1</sup>	495	568
Mayoral Fee	89	86
Councillors' Fees	456	445
Councillors' (include. Mayor) Expenses	114	133
Contributions/levies to other levels of government:		
- Planning Levy	669	654
- Waste Levy	7,828	7,757
- Emergency Services Levy	6,194	5,488
- Other Levies	112	134
Donations, contributions and assistance to other organisations (s356)	3,601	1,060
Data Services	879	567
Electricity, Heating & Water	4,466	5,381
Insurance <sup>2</sup>	2,574	2,799
Interest on Bonds & Deposits	82	110
IT Expenses	4,176	4,100
Land Tax	293	289
Management Fees	1,697	1,712
Membership Fees & Subscriptions	804	781
Postage	650	793
Stationery & Printing	778	1,046
Street Lighting	2,635	3,795
Telephone & Communications	958	1,053
Training Costs <sup>3</sup>	999	1,335
Valuation Fees	434	506
Other <sup>3</sup>	3,771	4,840
<b>Total other expenses from continuing operations</b>	<b>45,604</b>	<b>46,552</b>

#### Accounting policy for other expenses

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

<sup>1</sup>2018/19 restated due to re-classification of credit card surcharge (\$297k)

<sup>2</sup>2018/19 restated to transfer Workers Compensation Insurance to Employee Benefits and Oncosts (\$222k)

<sup>3</sup>2018/19 various items have been re-classified from employee costs in accordance with changes to the Local Government Code of Accounting Practice (\$1,867k)

## Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Gain or (loss) from the disposal, replacement and de-recognition of assets

	Notes	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>Property (excl. Investment Property)</b>	10		
Proceeds from Disposal		1,282	3,308
less: Carrying Amount of Property Assets Sold / Written-Off		(1,413)	(3,285)
<b>Net gain/(loss) on disposal</b>		<b>(131)</b>	<b>23</b>
<b>Plant &amp; Equipment</b>	10		
Proceeds from Disposal		2,337	2,319
less: Carrying Amount of P&E Assets Sold / Written-Off		(1,339)	(1,274)
<b>Net gain/(loss) on disposal</b>		<b>998</b>	<b>1,045</b>
<b>Office Equipment &amp; Furniture</b>	10		
Proceeds from Disposal		-	-
less: Carrying Amount of OE&F Assets Sold / Written-Off		-	(5)
<b>Net gain/(loss) on disposal</b>		<b>-</b>	<b>(5)</b>
<b>Infrastructure</b>	10		
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written-Off		(861)	(887)
<b>Net gain/(loss) on disposal</b>		<b>(861)</b>	<b>(887)</b>
<b>Investments</b>	7b		
Proceeds from Disposal / Redemption / Maturities		347,119	313,991
less: Carrying Amount of Investments Sold / Redeemed / Matured		(347,119)	(313,991)
<b>Net gain/(loss) on disposal</b>		<b>-</b>	<b>-</b>
<b>Net gain/(loss) on disposal of assets</b>		<b>6</b>	<b>176</b>

**Accounting policy for disposal of assets**

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

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(a) Cash and cash equivalents

	Actual 2020 \$'000	Actual 2019 \$'000
Cash at Bank and on Hand	1,222	1,155
Deposits at Call	4,977	5,897
<b>Total Cash &amp; Cash Equivalents</b>	<b>6,199</b>	<b>7,052</b>

#### 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 2020

### Note 7(b) Investments

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Financial Assets at fair value through:				
Profit and Loss	-	779	-	852
Debt securities at amortised cost	147,311	-	187,917	-
<b>Total</b>	<b>147,311</b>	<b>779</b>	<b>187,917</b>	<b>852</b>
<b>Financial Assets at fair value through profit and loss:</b>				
- Other long-term financial assets	-	779	-	852
<b>Total</b>	<b>-</b>	<b>779</b>	<b>-</b>	<b>852</b>
Comprising of:				
Mortgage Backed Securities	-	779	-	852
<b>Total</b>	<b>-</b>	<b>779</b>	<b>-</b>	<b>852</b>
<b>Debt securities at amortised cost</b>				
- Term deposits	147,311	-	187,917	-
<b>Total</b>	<b>147,311</b>	<b>-</b>	<b>187,917</b>	<b>-</b>

#### Accounting policy for investments

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

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

#### Financial Assets

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

#### Classification

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

- amortised cost
- fair value through profit and loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

The Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits, and cash and cash equivalents in the statement of financial position.

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

Interest income, impairment and gains or loss on derecognition are recognised in profit or loss.

#### Financial assets through profit or loss

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

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

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



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 7(c) Restricted cash, cash equivalents and investments

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>Total Cash, Cash Equivalents and Investments</b>	<b>153,510</b>	<b>779</b>	<b>194,969</b>	<b>852</b>
External Restrictions (refer below)	37,972	779	71,347	852
Internal Restrictions (refer below)	71,772	-	42,453	-
Unrestricted*	43,766	-	81,169	-
	<b>153,510</b>	<b>779</b>	<b>194,969</b>	<b>852</b>
*Remediation funds held within unrestricted cash were transferred to internal restrictions in 19/20				
	<b>2020 restricted cash</b>		<b>2019 restricted cash</b>	
	<b>\$'000</b>		<b>\$'000</b>	
<b>External Restrictions - Included in Liabilities</b>				
Nil				
<b>External Restrictions - Other</b>				
Developer contributions - general (A)		32,021		32,794
Specific purpose unexpended grants (B)		170		3,944
Domestic waste management (C)		5,393		11,626
Stormwater management (C)		683		651
New council implementation fund (B)		484		881
Stronger communities fund (B)		-		22,303
<b>External Restrictions - Other</b>		<b>38,751</b>		<b>72,199</b>
<b>Total External Restrictions</b>		<b>38,751</b>		<b>72,199</b>

- 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
- C** Domestic Waste Management (DWM) cash surplus from operations is held as a restricted asset to fund future capital expenditure, including bin replacements and process improvements to the Domestic Waste collection business

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 7(c) Restricted cash, cash equivalents and investments (continued)

	2020 restricted cash \$'000	2019 restricted cash \$'000
<b>Internal Restrictions</b>		
Balgowlah area improvements (A)	297	211
Mona Vale Cemetery (B)	4,595	4,084
Deposits, retentions and bonds (C)	13,169	13,169
Employees leave entitlement (D)	7,248	6,809
Environmental levy (former Manly Council) (E)	1,681	1,907
Meals on Wheels (F)	222	270
Road Reserve (G)	-	-
Special rates variation (former Pittwater Council) (H)	4,976	4,903
Merger savings fund (I)	5,169	8,503
Tennis liaison trust fund (J)	192	275
Unexpended loans (K)	1,479	1,479
Manly Art Gallery (L)	723	723
Kimbriki Landfill Remediation (M)	10,697	-
Stronger Communities Fund Tied Grants (N)	17,265	-
Other Tied Grants (N)	3,963	-
Other (O)	96	120
<b>Total Internal Restrictions</b>	<b>71,772</b>	<b>42,453</b>
<b>Total Restrictions</b>	<b>110,523</b>	<b>114,652</b>

- A** Funds received through a special rate are set aside to be used on future capital works in Balgowlah around Sydney Road and Condamine Street.
- B** Any cash surplus from Mona Vale Cemetery operations is held as a restricted asset to fund future perpetual maintenance.
- C** 76% of deposits, retentions and bonds are held as restricted funds.
- D** 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff.
- E** Unexpended funds received through the environmental component of the former Manly's rates are set aside to be used to fund various environmental programs around the Manly area.
- F** Any cash surplus from Meals on Wheels operations is held as a restricted asset to fund future expenses.
- G** In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of public roads are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.
- H** Funds received through a special rates variation are set aside to be used on major capital and infrastructure works, environmental projects, community facility improvements and the replacement of ageing infrastructure in the Pittwater area.
- I** Amalgamation savings achieved to 30 June 2018 and set aside to fund various future capital and operational projects.
- J** 70% of rental income from Mona Vale, Careel Bay, Elanora Park and Bayview Tennis Clubs is held as a restricted asset to be expended on future capital works and improvements at the Tennis Clubs.
- K** Balance of loan taken out by Council for a water detention tank at Manly Oval.
- L** Bequest to Council from Theodore Batten to fund future youth art award programs and artwork acquisitions.
- M** Funds set aside to remediate the Kimbriki tip landfill site
- N** Tied grants relate to any grant revenue received that has been deferred until obligations are satisfied
- O** - Any cash surplus from the Bible Garden Public Reserve is held as a restricted asset to fund future maintenance at the site.  
 - Rental income from the Café at Mona Vale Surf Club is held as a restricted asset to fund future maintenance and improvements.  
 - Cash set aside as a contribution towards the future replacement of pipeline and ongoing maintenance to the Scotland Island non potable emergency water supply.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8 Receivables

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>Purpose</b>				
Rates and annual charges	7,210	678	6,382	696
Interest and extra charges	722	458	656	463
User charges and fees	5,147	-	6,346	-
Accrued revenues:				
- Interest on Investments	891	-	2,334	-
Government Grants & subsidies	313	-	1,632	-
Net GST Receivable	2,015	-	2,468	-
<b>Total</b>	<b>16,298</b>	<b>1,136</b>	<b>19,818</b>	<b>1,159</b>
<b>less: Provision for impairment</b>				
Rates & Annual Charges	(120)	-	(126)	-
User Charges & Fees	(757)	-	(720)	-
<b>Total provision for impairment - receivables</b>	<b>(877)</b>	<b>-</b>	<b>(846)</b>	<b>-</b>
<b>Total net receivables</b>	<b>15,421</b>	<b>1,136</b>	<b>18,972</b>	<b>1,159</b>

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8 Receivables (continued)

#### Accounting policy for receivables

##### Recognition and Measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9 Inventories & other assets

	Actual 2020		Actual 2019	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
<b>Inventories</b>				
<b>At cost:</b>				
Stores & materials	293	-	109	-
Trading stock	110	-	108	-
<b>Total inventories</b>	<b>403</b>	<b>-</b>	<b>217</b>	<b>-</b>
<b>Inventories not expected to be realised within the next 12 months</b>				
	-	-	-	-
<b>Other assets</b>				
Prepayments	1,572	4	1,272	18
Other	-	-	-	157
<b>Total other assets</b>	<b>1,572</b>	<b>4</b>	<b>1,272</b>	<b>175</b>
<b>Total inventories &amp; other assets</b>	<b>1,975</b>	<b>4</b>	<b>1,489</b>	<b>175</b>

#### 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 2020

## NOTE 10 Infrastructure, property, plant &amp; equipment

By asset class	At 30 June 2019			Movements during year						At 30 June 2020		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Amount	Renewals	New Assets	Carrying Value of Disposals	Depreciation	Transfers	Revaluation Increments/ (decrements)	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	22,236	-	22,236	2,812	16,587	-	-	(16,729)	-	24,906	-	24,906
Plant & Equipment	44,096	15,233	28,863	236	5,864	(1,338)	(6,053)	-	-	42,954	15,382	27,572
Office Equipment	20,491	14,332	6,159	-	2,876	(1)	(2,438)	86	-	23,440	16,758	6,682
Furniture & Fittings	2,041	1,929	112	-	74	-	(33)	-	-	2,116	1,963	153
<b>Land:</b>												
- Operational Land	439,879	-	439,879	-	-	(1,413)	-	(3,215)	-	435,251	-	435,251
- Community & Crown Land	2,077,361	-	2,077,361	-	1,810	-	-	2,490	30,149	2,111,810	-	2,111,810
- Land Under Roads	1,704	-	1,704	-	193	-	-	725	(1,901)	721	-	721
Land Improvements - depreciable	14,110	3,906	10,204	274	-	-	(1,682)	950	-	15,336	5,590	9,746
<b>Infrastructure:</b>												
- Buildings	639,613	166,820	472,793	15,793	16,060	(240)	(8,427)	-	-	665,615	169,636	495,979
- Roads Sealed	524,382	50,372	474,010	8,355	1,546	(162)	(6,980)	-	-	532,140	55,371	476,769
- Roads Unsealed	1,732	241	1,491	-	13	-	(5)	-	-	1,745	246	1,499
- Bridges	12,451	3,361	9,090	85	52	-	(72)	-	-	12,509	3,354	9,155
- Footpaths	104,264	12,266	91,998	1,006	9,883	(39)	(741)	-	-	114,562	12,455	102,107
- Other Road Assets	243,485	38,776	204,709	1,937	3,047	(229)	(1,643)	-	-	247,355	39,534	207,821
- Stormwater Drainage	949,913	149,813	800,100	3,661	1,630	(146)	(6,574)	-	18,661	977,219	159,887	817,332
- Swimming Pools	27,242	4,393	22,849	158	-	-	(378)	-	-	27,338	4,709	22,629
- Other Open Space/Recreational Assets	124,625	13,026	111,599	1,189	5,746	(23)	(3,143)	133	-	130,957	15,456	115,501
- Other Infrastructure	202,062	31,247	170,815	4,395	6,690	(22)	(2,182)	(133)	-	212,074	32,511	179,563
<b>Other Assets:</b>												
- Library Books	15,949	12,626	3,323	-	1,202	-	(1,214)	-	-	17,151	13,840	3,311
- Other	4,556	-	4,556	-	21	-	-	-	-	4,577	-	4,577
- Tip Asset	28,057	4,120	23,937	-	(3,684)	-	(634)	-	-	24,372	4,753	19,619
<b>Total</b>	<b>5,500,249</b>	<b>522,461</b>	<b>4,977,788</b>	<b>39,901</b>	<b>69,610</b>	<b>(3,613)</b>	<b>(42,199)</b>	<b>(15,693)</b>	<b>46,909</b>	<b>5,624,148</b>	<b>551,445</b>	<b>5,072,703</b>

**Note:**

Total capital expenditure was \$97.2 million.

## Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## NOTE 10 Infrastructure, property, plant &amp; equipment (continued)

By asset class	At 30 June 2018			Movements during year						At 30 June 2019		
	Gross Carrying Amount	Accumulated Depreciation & Impairment	Net carrying amount	Renewals	New Assets	Carrying Value of Disposals	Depreciation and Impairment	Transfers	Revaluation Increments/ (decrements)	Gross Carrying Amount	Accumulated Depreciation & Impairment	Net carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	16,239	-	16,239	1,948	20,115	-	-	(16,066)	-	22,236	-	22,236
Plant & Equipment	28,826	15,508	13,318	346	20,577	(1,274)	(4,105)	-	-	44,096	15,233	28,863
Office Equipment	18,417	12,356	6,061	-	2,107	(3)	(2,006)	-	-	20,491	14,332	6,159
Furniture & Fittings	2,046	1,892	154	-	2	(2)	(42)	-	-	2,041	1,929	112
Land:												
- Operational Land	439,669	-	439,669	-	-	-	-	210	-	439,879	-	439,879
- Community & Crown Land	2,077,785	-	2,077,785	-	3,071	(3,285)	-	(210)	-	2,077,361	-	2,077,361
- Land Under Roads	391	-	391	-	1,313	-	-	-	-	1,704	-	1,704
Land Improvements - depreciable	9,969	2,619	7,350	301	3,841	-	(1,288)	-	-	14,110	3,906	10,204
Infrastructure:												
- Buildings	628,794	160,015	468,779	9,397	2,935	(79)	(8,239)	-	-	639,613	166,820	472,793
- Roads Sealed	527,130	45,621	481,509	10,105	1,148	(67)	(7,440)	(860)	(10,385)	524,382	50,372	474,010
- Roads Unsealed	322	34	288	-	169	-	(13)	860	187	1,732	241	1,491
- Bridges	11,633	603	11,030	101	57	(51)	(67)	(2,193)	213	12,451	3,361	9,090
- Footpaths	86,932	10,072	76,860	1,917	6,314	(77)	(878)	-	7,862	104,264	12,266	91,998
- Other Road Assets	206,764	19,648	187,116	1,992	3,725	(135)	(1,227)	-	13,238	243,485	38,776	204,709
- Stormwater Drainage	942,365	143,355	799,010	6,783	1,062	(233)	(6,522)	-	-	949,913	149,813	800,100
- Swimming Pools	28,995	3,047	25,948	1,623	-	-	(438)	-	(4,284)	27,242	4,393	22,849
- Other Open Space/Recreational Assets	119,788	12,371	107,417	2,173	2,778	(14)	(3,121)	(2,453)	4,819	124,625	13,026	111,599
- Other Infrastructure	171,375	15,510	155,865	7,594	3,787	(231)	(2,024)	4,646	1,178	202,062	31,247	170,815
Other Assets:												
- Library Books	14,770	11,401	3,369	-	1,179	-	(1,225)	-	-	15,949	12,626	3,323
- Other	4,535	-	4,535	-	21	-	-	-	-	4,556	-	4,556
- Tip Asset	28,057	3,125	24,932	-	-	-	(995)	-	-	28,057	4,120	23,937
<b>Total</b>	<b>5,364,802</b>	<b>457,177</b>	<b>4,907,625</b>	<b>44,280</b>	<b>74,201</b>	<b>(5,451)</b>	<b>(39,630)</b>	<b>(16,066)</b>	<b>12,828</b>	<b>5,500,249</b>	<b>522,461</b>	<b>4,977,788</b>

## Note:

Refer to Note 23 Fair value measurement for information regarding the fair value of I,P,P &amp; E.

Total capital expenditure was \$102.5 million.



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus within the equity balance. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation surplus directly in equity to the extent of the remaining surplus attributable to the class; all other decreases are charged to the Income Statement.

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

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

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

#### Plant & Equipment

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

#### Other Equipment

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

#### Buildings

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

#### Stormwater Drainage

Drains	60 - 100	years
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#### Transportation Assets

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

#### Other Assets

Library Books	5 - 15	years
Artworks	Indefinite	

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

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

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

Northern Beaches Council

Notes to the Financial Statements

for the year ended 30 June 2020

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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 13.

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 2020

## Note 11 Investment properties

	Actual 2020 \$'000	Actual 2019 \$'000
<b>Owned Investment Property</b>		
<b>At Fair value</b>		
Opening Balance at 1 July	5,965	6,085
Net gain (loss) from fair value adjustment	(130)	(120)
<b>Closing Balance at 30 June</b>	<b>5,835</b>	<b>5,965</b>

**Accounting policy for investment property**

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12 Contract assets and liabilities

		Actual 2020	
		Current \$'000	Non-Current \$'000
<b>(a) Contract liabilities</b>			
Funds to construct Council controlled assets	(i)	12,830	-
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	(ii)	1,220	6,580
Deposits received in advance of services provided (e.g. caravan park fees, hire fees)		1,732	-
Upfront fees - leisure centre	(iii)	-	-
<b>Total</b>		<b>15,782</b>	<b>6,580</b>

- (i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.
- (ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.
- (iii) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

#### Revenue recognised that was included in the contract liability balance at the beginning of the period

Funds to construct Council controlled assets	17,518
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	8,686
Deposits received in advance of services provided (e.g. caravan park fees, hire fees)	2,452
<b>Total</b>	<b>28,656</b>

#### Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

#### Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer/fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13 Leases

Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related interpretations.

#### Council as a lessee

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

##### Buildings

Council leases a building in Dee Why for the purpose of providing long day care. The lease is for 20 years and expires in September 2022. The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

##### Office and IT equipment

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

##### Plant & Equipment

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

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

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

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

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

#### Extension Options

There are no extension options included in the current leases.

#### (a) Right-of-use assets

	Buildings	Office and IT Equipment	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Adoption of AASB 16 at 1 July 2019	149	272	-	421
Additions to right-of-use assets	-	-	12,215	12,215
Depreciation charge	(46)	(79)	(1,222)	(1,347)
<b>Balance at 30 June 2020</b>	<b>103</b>	<b>193</b>	<b>10,993</b>	<b>11,289</b>

#### (b) Lease liabilities

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

	< 1 Year	1 - 5 years	> 5 years	Total	Total per statement of financial position
	\$'000	\$'000	\$'000	\$'000	\$'000
	1,556	5,816	5,618	12,989	11,441

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13 Leases (continued)

#### (c) Income Statement

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

	Year Ended 30 June 2020 \$'000
Interest on lease liabilities	351
Variable lease payments based on usage not included in the measurement of lease liabilities	14,339
Depreciation of right to use assets	1,347
Expenses relating to short-term leases	5
Expenses relating to low-value assets	264
	<b>16,306</b>

#### (d) Statement of cash flows

	Actual 2020 \$'000
Total cash outflow for leases	(1,546)

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

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

i) Council as lessee:

- Beacon Hill playing fields
- Warringah Mall library

ii) Council as lessor:

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

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

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

#### Accounting policy

##### Accounting policies under AASB16 - applicable from 1 July 2019

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

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

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

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

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

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

##### Exceptions to lease accounting

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

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

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

##### Accounting policies under AASB117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13 Leases (continued)

#### Council as a lessor

##### (e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property in the statement of financial position (refer note 11).

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

	Year Ended 30 June 2020 \$'000
<b>(i) Operating lease income</b>	
<b>Investment Properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	310
Lease income relating to variable lease payments not dependent on an index or rate	31
<b>Other operating lease income</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	6,140
Lease income relating to variable lease payments not dependent on an index or rate	592
<b>Total income relating to operating leases</b>	<b>7,073</b>
<b>(ii) Operating lease expenses</b>	
<b>Investment Properties</b>	
Direct operating expenses from property that generated rental income	(18)
Direct operating expenses from property that did not generate rental income	(20)
<b>Other leased assets</b>	
Direct operating expenses from property that generated rental income	(2,172)
Direct operating expenses from property that did not generate rental income	(588)
<b>Total expenses relating to operating leases</b>	<b>(2,798)</b>

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

	Actual 2020 \$'000
< 1 year	6,392
1 - 2 years	2,857
2 - 3 years	2,751
3 - 4 years	2,313
4 - 5 years	2,227
> 5 years	14,418
<b>Total undiscounted lease receivable</b>	<b>30,958</b>

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 14 Payables and borrowings

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>Payables</b>				
Goods & services	7,500	-	9,214	-
Accrued expenses:				
- Borrowings	228	-	306	-
- Wages and salaries	1,691	-	519	-
- Other	11,098	-	15,525	-
Deposits & retentions	17,392	-	18,036	-
Government departments and agencies	37	-	106	-
Prepaid rates	1,795	-	-	-
Other Payables	314	250	54	-
<b>Total Payables</b>	<b>40,055</b>	<b>250</b>	<b>43,760</b>	<b>-</b>
<b>Borrowings</b>				
Loans - Secured <sup>(1)</sup>	5,137	22,319	5,129	27,490
<b>Total Borrowings</b>	<b>5,137</b>	<b>22,319</b>	<b>5,129</b>	<b>27,490</b>
<b>Total payables and borrowings</b>	<b>45,192</b>	<b>22,569</b>	<b>48,889</b>	<b>27,490</b>

#### Notes:

<sup>(1)</sup>Loans are secured over the income of Council

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>(a) Current payables not expected to be settled within the next 12 months</b>				
Deposits & Retentions	9,728	-	10,429	-
<b>Total</b>	<b>9,728</b>	<b>-</b>	<b>10,429</b>	<b>-</b>



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 14 Payables and borrowings (continued)

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

	2019 \$'000	Cash Flows \$'000	Non-cash changes \$'000			2020 \$'000
			Acquisition	Fair value changes	Other non- cash movement	
Loans:						
- secured	32,619	(5,163)	-	-	-	27,456
<b>Total liabilities from financing activities</b>	<b>32,619</b>	<b>(5,163)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,456</b>

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 14 Payables and borrowings (continued)

#### (c) Financing arrangements

	Actual 2020 \$'000	Actual 2019 \$'000
<b>Total facilities</b>		
The amount of total financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	500	500
- Corporate credit cards	150	150
	<b>650</b>	<b>650</b>
<b>Drawn facilities</b>		
The amount of financing facilities drawn down at the reporting date is:		
- Corporate credit cards	27	35
	<b>27</b>	<b>35</b>
The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.		
<b>Undrawn facilities</b>		
The amount of undrawn financing facilities available to Council at the reporting date is:		
- Bank overdraft facility	500	500
- Corporate credit cards	123	115
	<b>623</b>	<b>615</b>

#### Breaches and defaults

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

#### Security over loans

Loans are secured over the income of Council

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### NOTE 14 Payables and borrowings (continued)

##### Accounting policy for payables and borrowings

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

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

##### Payables

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

##### Borrowings

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

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

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 2020

### NOTE 15 Provisions

	Actual 2020		Actual 2019	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>Provisions</b>				
<b>Employee benefit provisions</b>				
Annual Leave	11,338	-	10,086	-
Sick Leave	414	-	411	-
Long Service Leave	23,447	2,225	22,379	2,169
Other Leave	107	-	132	-
Gratuities	9	-	9	-
<b>Total - Aggregate employee benefits</b>	<b>35,315</b>	<b>2,225</b>	<b>33,017</b>	<b>2,169</b>
<b>Other Provisions</b>				
Self Insurance - Workers Compensation	560	2,152	569	1,324
Asset Remediation	-	35,287	-	37,745
<b>Total Provisions</b>	<b>35,875</b>	<b>39,664</b>	<b>33,586</b>	<b>41,238</b>
<b>Current Provisions not expected to be settled within the next 12 months</b>	<b>21,798</b>	<b>-</b>	<b>19,833</b>	<b>-</b>

#### (a) Description of and movements in non-employee benefit provisions

	Self Insurance a \$'000	Asset Remediation b \$'000
At beginning of year	1,893	37,745
Remeasurement	-	(2,458)
Amounts used	(994)	-
Additional Provisions	1,813	-
<b>TOTAL</b>	<b>2,712</b>	<b>35,287</b>

- 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 2.000% - 2.500% per annum and Bond Yields of 0.140% - 2.123% 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 2020;
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in standardised values as at June 2020;

The last actuarial assessment of Workers Compensation claims was undertaken in July 2020 for the 30 June 2020 provision balance 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. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Mockinya Consulting in June 2020. The projected cost of this restoration is \$118.25 million (\$121.8 million incl GST) based on the Landfill Closure and Post Closure Management Evaluation of Costs Report. As a result of current economic conditions due to the COVID-19 pandemic, there is increased difficulty in applying a 'discount rate' to estimate the present value for such a long term liability. The NSW Independent Pricing and Regulatory Tribunal's (IPART) published discount and inflation rates have been used to estimate the present value of the remediation provision. Regular, ongoing reviews of these inputs are undertaken given the current level of volatility in the economy. Costs have been escalated at an inflation rate of 2.3% (IPART) and the provision has been discounted to its present value at 3.60% per annum (nominal discount rate from IPART).

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 15 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 a borrowing cost.

#### Employee Benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

##### Self-insurance

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

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### NOTE 15 Provisions (continued)

##### Accounting policy for provisions (continued)

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

###### Restoration

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

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

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

###### Rehabilitation

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

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

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

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

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16 Accumulated surplus, revaluation reserves, changes in accounting policies, and accounting estimates

#### (a) Nature and Purpose of reserves

##### Infrastructure, Property, Plant & Equipment Revaluation reserve

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

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>Accumulated Surplus</b>			
<b>Movements in Accumulated Surplus were as follows:</b>			
Balance at beginning of period		4,873,907	4,846,014
Changes due to AASB 1058 and AASB 15 adoption		(26,204)	-
Transfers between Equity items		(46)	
Net Result for the period		18,552	27,893
<b>Balance at end of period</b>		<b>4,866,209</b>	<b>4,873,907</b>
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Surplus:</b>			
Balance at beginning of period		171,245	158,417
Gain / (loss) on revaluation	10	46,909	12,828
<b>Total</b>		<b>218,154</b>	<b>171,245</b>

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

During the year ended 30 June 2020, Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-profit Entities, and AASB 16 Leases using the modified retrospective (cumulative catch up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

##### AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were

The key changes to Council's accounting policy resulting from the adoption of AASB 15 and AASB 1058 are as follows:

##### Funds received prior to performance obligation being satisfied (upfront payments)

Prior to adopting AASB 15, Council would recognise most grant revenue on receipt. Now under AASB 15, If sufficiently specific performance obligations relating to grant revenue are ongoing, a contract liability is established and the revenue is deferred. It will be recognised as the performance obligations are met.

##### Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and would result in deferral of revenue where unapproved works have been performed. Council does not have any contract modifications to report.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16 Accumulated surplus, revaluation reserves, changes in accounting policies, and accounting estimates (continued)

#### Transfer of control to a customer - over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. Council has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

#### Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants. Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit. The Council does not have any grant agreements that meet the definition of an agent.

#### Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

#### Prepaid rates

Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

#### Grants - operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the control of the services passes to the customer.

#### Grants - capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

#### Changes in presentation

In addition to the above changes in accounting policies, Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- An additional line item has been set up on the balance sheet called contract liabilities. This line item relates to payments received by Council before a related performance obligation has been satisfied.

#### Opening contract balances at 1 July 2019

	Balance at 1 July 2019 \$'000
<b>Contract liabilities - new liability</b>	
- under AASB 15 - Funds received prior to performance obligation being satisfied (upfront payments)	8,686
- under AASB 1058 - Funds to construct Council controlled assets	17,518
<b>Total contract liabilities - new liability</b>	<b>26,204</b>
<b>Contract liabilities - moved from payables liabilities</b>	
- under AASB 15 - Deposits received in advance of services provided	2,452
<b>Total contract liabilities</b>	<b>28,656</b>



## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16 Accumulated surplus, revaluation reserves, changes in accounting policies, and accounting estimates (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

	Carrying amount per Statement of financial position under AASB 15 and AASB 1058 \$'000	Reclassification \$'000	Remeasure- ment \$'000	Carrying amount under previous revenue standards \$'000	Note
<b>Current liabilities</b>					
Contract liabilities	14,050	-	(14,050)	-	(i)
<b>Non-current liabilities</b>					
Contract liabilities	6,580	-	(6,580)	-	(i)
<b>Equity</b>					
Accumulated Surplus	4,866,208	-	20,630	4,886,838	

- (i) Elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

#### Income statement for the year ended 30 June 2020

	Income statement and comprehensive income under AASB 15 and AASB 1058 \$'000	Reclassification \$'000	Remeasure- ment \$'000	Income statement and comprehensive income under previous revenue standards \$'000	Note
Revenue	361,649	-	(5,574)	356,075	(i)
Other income	4,306	-	-	4,306	
Expenses	347,306	-	-	347,306	
<b>Profit/(Loss) for the year</b>	18,649	-	(5,574)	13,075	
<b>Total comprehensive income</b>	65,559	-	(5,574)	59,985	

- (i) Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under new standards.

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16 Accumulated surplus, revaluation reserves, changes in accounting policies, and accounting estimates (continued)

##### AASB 16 Leases

###### Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

###### Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.  
Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.  
The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

###### Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$0.421m at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.43%.

	\$'000
Operating lease commitment at 30 June 2019 per Council financial statements *	957
Discounted using the incremental borrowing rate at 1 July 2019	925
Less:	
Short-term leases included in commitments note	(8)
Leases for low-value assets included in commitments note	(494)
Other reconciling items - interest rate	(2)
<b>Lease Liabilities recognised at 1 July 2019</b>	<b>421</b>

\* Restated to include leases previously classified elsewhere

###### Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16      Accumulated surplus, revaluation surplus, changes in accounting policies and accounting estimates (continued)**

**(c) Changes in accounting policy - voluntary change**

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

**(d) Changes in accounting estimates**

No accounting estimates have been amended during the year.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17 Statement of cash flows information

		Actual 2020 \$'000	Actual 2019 \$'000
	Notes		
<b>(a) Reconciliation of Cash and Cash Equivalents</b>			
Total Cash & Cash Equivalents per Statement of Financial Position	7a	6,199	7,052
<b>Balances as per Statement of Cash Flows</b>		<b>6,199</b>	<b>7,052</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
Net Operating Result from Income Statement		18,649	28,025
Add:			
Depreciation and Amortisation		43,546	39,629
Loss / (Gain) on Disposal of Assets		(6)	(176)
Non Cash Contributions and Dedications		(13,649)	(4,484)
Increase in Provision for Impairment of receivables		32	148
Fair Value Loss / (Gain) on Investment Property		130	120
Fair Value Loss / (Gain) on Financial Assets at Fair Value through Profit and Loss		(26)	(23)
		48,676	63,239
<b>Less movement in operating assets and liabilities</b>			
(Increase) / Decrease in Receivables		3,543	(666)
(Increase) / Decrease in Inventories		(29)	(14)
(Increase) / Decrease in Other Current Assets		(287)	(72)
Increase / (Decrease) in Payables		(1,783)	8,715
Increase / (Decrease) in Accrued Interest Payable		(78)	(49)
Increase / (Decrease) in Other Accrued Expenses Payable		(3,258)	(2,020)
Increase / (Decrease) in Other Current Liabilities		(523)	(585)
Increase / (Decrease) in Contract Liabilities		(5,574)	
Increase / (Decrease) in Leave Entitlements		2,354	4,284
Increase / (Decrease) in Other Provisions		(1,639)	1,940
<b>Net Cash provided from (or used in) operating activities from Statement of Cash Flows</b>		<b>41,402</b>	<b>74,772</b>
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Non Cash Contributions - Land and Infrastructure		13,649	4,484
		<b>13,649</b>	<b>4,484</b>

Refer to Note 13 for information on acquisition of assets under leases

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18 Interests in other entities

#### Interests in subsidiary

##### (a) Composition of the Group

	Principal place of business	Percentage % Owned 2020	Percentage % Owned 2019
<b>Subsidiary</b>			
Kimbriki Environmental Enterprises Pty Limited	Kimbriki Road, Ingleside, NSW	96.16%	96.16%

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

The financial position and performance Kimbriki Environmental Enterprises Pty Ltd is for the financial period ended 30 June 2020.

##### Controlled entities with ownership interest of 50% or less

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

##### (b) Significant restrictions relating to subsidiary

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

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

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

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

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

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18 Interests in other entities (continued)

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

	Kimbriki Environmental Enterprises Pty Limited 30 June 2020	Kimbriki Environmental Enterprises Pty Limited 30 June 2019
% Ownership held by NCI	3.84%	3.84%
	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) allocated to NCI	97	132
Accumulated NCI of subsidiary	1,186	1,088
<b>Summarised statement of financial position</b>		
Current assets	26,866	22,271
Non-current assets	33,593	20,662
Current liabilities	8,166	5,863
Non-current liabilities	21,406	8,726
Net assets	30,887	28,344
<b>Summarised statement of profit and loss and other comprehensive income</b>		
Revenue	38,834	35,410
Profit/(Loss)	2,543	3,442
Total Comprehensive Income	2,543	3,442
<b>Summarised statement of cash flows</b>		
Cash flows from operating activities	6,980	8,148
Cash flows from investing activities	(4,105)	(4,604)
Net increase / (decrease) in cash and cash equivalents	2,296	3,544

#### Accounting policy for subsidiary

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

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

## Notes to the Financial Statements

### Notes to the Financial Statements

for the year ended 30 June 2020

#### **Note 18**    **Interests in other entities** (continued)

##### **Associates and joint ventures**

Council remains a member of the Premsure Insurance Pool but holds an immaterial interest in the Joint Venture. The winding up of Premsure and distribution of funds is in progress.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19 Commitments

	Actual 2020 \$'000	Actual 2019 \$'000
<b>(a) Capital Commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Land & Buildings	2,604	4,110
- Plant & Equipment	992	1,759
- Infrastructure	8,168	10,649
<b>Total</b>	<b>11,764</b>	<b>16,518</b>

#### Description of Commitments

Contractual commitments for capital works currently being undertaken

Refer to Note 13 for information relating to leases for 2020.

#### (b) Non-cancellable Operating Lease Commitments (2019 only)

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

- Not later than one year	n/a	149
- Later than one year and not later than five years	n/a	312
- Later than five years	n/a	62
<b>Total</b>	<b>-</b>	<b>523</b>

#### Description of Leases (2019 only)

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



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20 Contingencies

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

#### Contingent Liabilities

##### 1. Guarantees

##### (i) Superannuation

##### Defined Benefit Superannuation Contribution Plans

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2020. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

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

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

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

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

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

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

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

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.
- iii) The expected contributions of fee plan for the next annual reporting period are \$1,637,706.

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20 Contingencies (continued)

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,695.20	
Past Service Liabilities	1,773.20	95.60%
Vested Benefits	1,757.50	96.50%

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

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

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

\*Plus promotional increases

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

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

Council's additional lump sum contribution per annum of \$1,002,000 as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) is 2.50% which provides an indication of the level of participation of Council compared with other employers in the Pooled Employer subgroup.

#### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the 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.

#### (iii) Workers Compensation

Council has decided to self-insure for workers compensation for claims up to \$600,000. Claims above \$600,000 are covered by an external insurance provider. Council provides bank guarantees to the value of \$2,067,000 to secure its self-insurance licence for workers compensation. The guarantee is provided to the State Insurance Regulatory Authority.

#### (iv) Other Guarantees

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20 Contingencies (continued)

#### 2. Other Liabilities

##### (i) Third Party Claims

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

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

Council has significant obligations to provide Section 7.11 and Section 7.12 infrastructure. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference. (Refer Note 25).

##### (iii) Legal Expenses

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

At 30 June 2020, Council was party to 42 Class 1 appeals and 4 Class 4 appeals in the Land & Environment Court. All known costs have been recognised, however the amount of further costs cannot be known until the appeals are determined.

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

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

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

##### (v) Other

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

Following Council's List Response to the claim being filed and served, the plaintiffs have filed and served an Amended Commercial List Statement to which Council has served a response. There has followed a series of interlocutory procedures and an adverse order against Council in relation to the interlocutory proceedings in which the Court struck out paragraphs of Council's Commercial List Response. However, Council appealed the decision to strike out paragraphs of Council's Commercial List Response and the costs order. Council was successful in its appeal and the plaintiffs were ordered to pay Council's costs of the strike out application and the appeal. The plaintiffs have served their evidence in chief and have filed and served a Further Amended Commercial List Statement (FACLS). Council has filed its Commercial List Response to the FACLS and evidence. The plaintiffs have served their evidence in reply. Hearing dates have been set commencing 1 March 2021. Council is continuing to defend the claim.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20 Contingencies (continued)

#### Contingent Assets

##### (i) Infringement Notices/Fines

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

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

##### (ii) Premsure Insurance Pool

At 30 June 2020, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 18, noting it holds an immaterial interest in the Joint Venture. It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the Pool. Accordingly, at year end there is a potential asset of Council in the amount of the distribution from the Pool. The winding up of Premsure with a view to distributing the available surplus funds to members is in progress.

##### (iii) Storm Damage Assistance

In the 19/20 financial year, Council experienced two major storm events in November 2019 and February 2020. Council is able to claim from the State Government under the Natural Disaster Relief funding arrangement and will be pursuing the recovery of the claimable expenditure in the order of \$1.7 million.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21 Financial risk management

#### Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk. Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Council.

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

Financial risk management is carried out by Council's Finance Unit under policies approved by the Council.

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

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

The risks associated with the instruments held are:

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

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

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

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

	2020 \$'000	2019 \$'000
Impact of a 10% <sup>(1)</sup> movement in price of Investments		
- Equity	78	85
- Income Statement <sup>(2)</sup>	78	85
Impact of a 1% <sup>(1)</sup> movement in Interest Rates on Cash and Investments		
- Equity	1,535	1,950
- Income Statement <sup>(2)</sup>	1,535	1,950

#### Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Maximum impact.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21 Financial risk management (continued)

#### (b) Credit risk

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

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

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

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

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

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

	Not Yet Due		Overdue Debts				Total
	\$'000	< 1 year \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000		\$'000
<b>Rates and Annual Charges</b>							
2020	-	4,914	718	1,010	1,246		7,888
2019	-	4,226	425	1,373	1,054		7,078

#### Receivables - non- rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses incorporate forward looking information.

		Not Yet Due		Overdue Debts				Total
		\$'000	< 30 days \$'000	30-60 days \$'000	60-90 days \$'000	> 90 days \$'000		\$'000
2020	Gross carrying amount	6,564	418	208	329	2,027		9,546
	Expected loss rate (%)	1.55%	4.31%	4.33%	5.17%	30.14%		
	ECL provision	102	18	9	17	611		757
2019	Gross carrying amount	10,890	484	194	258	2,073		13,899
	Expected loss rate (%)	0.35%	0.41%	5.67%	4.65%	31.69%		
	ECL provision	38	2	11	12	657		720

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21 Financial risk management (continued)

#### (c) Liquidity risk

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

Borrowings are also subject to interest rate risk; the risk that movements in interest rates could adversely affect funding costs. The Finance Unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
<b>\$'000</b>					
<b>At 30 June 2020</b>					
Payables	40,055	250	-	40,305	40,305
Borrowings	5,137	15,413	6,906	27,456	27,456
<b>Total Financial Liabilities</b>	<b>45,192</b>	<b>15,663</b>	<b>6,906</b>	<b>67,761</b>	<b>67,761</b>

	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
<b>\$'000</b>					
<b>At 30 June 2019</b>					
Payables	43,760	-	-	43,760	43,760
Borrowings	5,129	18,221	9,269	32,619	32,619
<b>Total Financial Liabilities</b>	<b>48,889</b>	<b>18,221</b>	<b>9,269</b>	<b>76,379</b>	<b>76,379</b>

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

	30 June 2020		30 June 2019	
	Average Interest Rate	Balance \$'000	Weighted Average Interest Rate	Balance \$'000
Bank Loans - Fixed	5.3%	18,947	5.3%	23,419
- Variable <sup>(1)</sup>	2.1%	8,509	3.0%	9,200
		<b>27,456</b>		<b>32,619</b>

<sup>(1)</sup> 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 2020

### Note 22 Material budget variations

Council's original budget was adopted by Council on 25 June 2019 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the Council.

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

In the later part of this financial year, many of Council's services were adversely impacted by the Covid-19 pandemic, placing considerable pressure on Council's budget.

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

#### Revenues

##### 1 User Charges and Fees

Original Budget	Actuals	Variance	
\$'000	\$'000	\$'000	Variance
84,115	74,512	-9,603	-11%

User fees and charges were primarily impacted by the COVID-19 pandemic. Significant variations include lower than anticipated:

- Childcare revenue (\$3.790m) (offset by operating grants during 'fee-free period')
- Parking income and Road fees (\$2.021m)
- Development Assessment charges (\$1.023m)
- Accommodation charges (\$0.899m),
- Community centre hiring (\$0.751m) and theatre patronage (\$0.264m)
- Compliance fees (\$0.582m)
- Permit revenue (\$0.345m)
- Development engineering income (\$0.338m)
- Sporting facility utilisation (\$0.289m)
- Offset by higher:
- Tipping fees \$0.945m.

##### 2 Investment revenues

Original Budget	Actuals	Variance	
\$'000	\$'000	\$'000	Variance
5,687	4,300	-1,387	-24%

- Reduced Investment Interest reflecting the impact of the Reserve Bank's decisions lowering the cash rate and the decline in margins reflecting the lower demand for funds from banks (\$1.386m).

##### 3 Grants and Contributions provided for capital purposes

Original Budget	Actuals	Variance	
\$'000	\$'000	\$'000	Variance
29,246	35,194	5,948	20%

Council budgets conservatively for capital grants and contributions so as to avoid reliance on unsecured funding.

Significant grant funding variations include:

- Council's Connecting Communities Footpaths and Cycleways programs delays to allow further consultation (\$3.066m)
- Mona Vale and Long Reef SLSC design changes delaying development plans (\$2.125m)
- Narrabeen Lagoon's Pedestrian and Cycle Bridge delays to allow geotechnical investigation (\$1.769m)
- Currawong Cottages tender approval delays affecting development plans offset by additional boating facilities receipts (\$0.758m)
- Wharves works at Carol's Wharf and Bells Wharf deferred until 2020/21 (\$0.743m)
- Offset by increased funding for:
- Northern Beaches Hospital Roadworks and Road resheeting as part of the Roads to Recovery Program \$1.694m
- Pedestrian safety works, the Federal Blackspot Program and Bus Priority and Infrastructure projects \$0.980m.

Significant contribution funding variations include:

- Land transfers from Transport for NSW of the Tramshed Terminus Amenities and B Line carpark at Warriewood and land under roads non cash contributions of \$11.883m and non cash developer contributions in the Warriewood area of \$1.182m offset by a delay in the Duffy's Forest Rural Fire Station works (\$0.661m)
- Stormwater asset transfers in Warriewood Road \$0.363m
- Offset by:
- Lower Section 7.11 and 7.12 developer contributions received (\$0.685m).

##### 4 Gains on disposal of assets

Original Budget	Actuals	Variance	
\$'000	\$'000	\$'000	Variance
1,073	6	-1,067	-99%

Council takes the conservative position to not budget for gains on disposal of assets with the exception of planned plant and equipment sales. The variance was principally due to the non-cash impact of writing down infrastructure assets that had been renewed (\$0.861m)



# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22 Material budget variations (continued)

#### Expenses

##### 1 Borrowing costs

Original Budget		Actuals		Variance			
\$'000	3,441	\$'000	2,947	\$'000	-494	Variance	-14%

- Reduction in the provision for asset remediation resulting in lower amortisation costs (\$0.695m)
- Lower than anticipated interest rates on borrowings subject to a variable rate (\$0.149m)
- Offset by:
  - First time adoption of AASB16 in respect of Interest Leases for Right of Use Assets \$0.336m.

##### 2 Depreciation, amortisation and impairment

Original Budget		Actuals		Variance			
\$'000	38,795	\$'000	43,546	\$'000	4,751	Variance	12%

Increased depreciation was associated with the creation of new assets and renewal of a significant number of assets over the past 12 months including new waste bins (\$1.4m), waste compactors and street sweepers, transport assets and building assets.

New lease accounting resulted in a new expense for the amortisation of leased assets (primarily related to the waste collection contract) for \$1.347m.

##### 3 Other operating expenses

Original Budget		Actuals		Variance			
\$'000	51,824	\$'000	45,734	\$'000	-6,090	Variance	-12%

Significant variations include:

- Stronger Communities Fund - Mona Vale Public School Performance Space works deferred (\$1.9m) offset by an increase of \$1.5m in COVID-19 assistance to affected businesses and community groups through grant programs and fee and rent waivers.
- Lower staff related costs including training and development program and WHS projects (\$1.266m)
- Lower general insurance related expenses (\$0.521m)
- Lower EPA levy expenses caused by reduced landfill volumes (\$0.688m)
- Lower Street Lighting charges (\$1.466m) and Plant and Fleet Insurance expenses (\$0.205m)
- Lower costs at services closed due to COVID including Glen St Theatre (\$0.183m), Lakeside Holiday Park (\$0.109m), Aquatic Centres (\$0.159m)

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23 Fair value measurement

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

- Infrastructure and property
- Investment property
- Financial assets

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

#### Fair value hierarchy

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

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

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

	Note	Level 2 Significant observable inputs \$'000		Level 3 Significant unobservable inputs \$'000		Total \$'000	
		2020	2019	2020	2019	2020	2019
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Investments							
- At fair value through profit or loss	7b	779	852			779	852
<b>Investment Properties</b>							
Commercial Office and Retail	11	5,835	5,965			5,835	5,965
<b>Infrastructure, property, plant and equipment</b>							
Plant & Equipment	10			27,572	28,863	27,572	28,863
Office Equipment	10			6,682	6,159	6,682	6,159
Furniture & Fittings	10			153	112	153	112
Operational Land	10	435,251	439,879			435,251	439,879
Community Land	10			1,016,336	1,049,055	1,016,336	1,049,055
Crown Land	10			1,095,474	1,028,306	1,095,474	1,028,306
Land Under Roads	10			721	1,704	721	1,704
Land Improvements - Depreciable	10			9,746	10,204	9,746	10,204
Buildings	10			495,979	472,793	495,979	472,793
Roads Sealed	10			476,769	474,010	476,769	474,010
Roads Unsealed	10			1,499	1,491	1,499	1,491
Other Road Assets	10			207,821	204,709	207,821	204,709
Bridges	10			9,155	9,090	9,155	9,090
Footpaths	10			102,107	91,998	102,107	91,998
Drainage Infrastructure	10			817,332	800,100	817,332	800,100
Swimming Pools	10			22,629	22,849	22,629	22,849
Other Open Space/Recreational Assets	10			115,501	111,599	115,501	111,599
Other Infrastructure	10			179,563	170,815	179,563	170,815
Library Books	10			3,311	3,323	3,311	3,323
Other	10			4,577	4,556	4,577	4,556
Tip Asset	10			19,619	23,937	19,619	23,937
<b>Total</b>		<b>441,865</b>	<b>446,696</b>	<b>4,612,546</b>	<b>4,515,673</b>	<b>5,054,411</b>	<b>4,962,369</b>

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23 Fair value measurement (continued)

#### Valuation Techniques

#### Level 2 Measurements

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

	Fair value (30/6/20) \$'000	Valuation Techniques	Observable inputs
Investments - At fair value through profit or loss	779	Indicative market valuation advice from an independent external investment advisor	Weighted average life of the security, any current trading activity, information on credit quality, relevant economic and market information and information received from the Trustee in relation to these securities.
Investment properties	5,835	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls
Operational Land	435,251	Direct market comparison approach by independent qualified expert	Price per square metre, direct comparison to sales evidence, zoning, location, land area and configuration, planning controls

# Northern Beaches Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 23 Fair value measurement (continued)

#### 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 (30/6/20) \$'000	Valuation Techniques	Unobservable inputs
<b>Infrastructure, Property, Plant &amp; Equipment</b>			
Plant & Equipment, Office Equipment, Furniture & Fittings, Library Books and Other Assets	42,295	Depreciated historical cost assessed as fair value	Asset condition and remaining useful life
Community Land and Crown Land	2,111,810	Land values obtained from the NSW Valuer-General with internal assessment for reasonableness of VG value with adjustments where required.	VG value (price per square metre)
Land Under Roads	721	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset	VG value (price per square metre)
Land Improvements - Depreciable	9,746	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Buildings	495,979	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Roads Sealed	476,769	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Unsealed	1,499	Unit rates per m2 and length	Asset condition and remaining useful life
Roads Other Assets	207,821	Unit rates per m2 and length	Asset condition and remaining useful life
Bridges	9,155	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Footpaths	102,107	Unit rates per m2 and length	Asset condition and remaining useful life
Drainage Infrastructure	817,332	Unit rates per m2 and length	Asset condition and remaining useful life
Swimming Pools	22,629	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Open Space/Recreational Assets	115,501	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Other Infrastructure	179,563	Replacement cost used to approximate fair value	Asset condition and remaining useful life
Tip Asset	19,619	Cost model applied using Landfill Closure and Post Closure Report and Cost Estimate prepared by independent expert	Remaining life of site, pattern of consumption and potential latent conditions

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23 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:

	2020 \$'000	2019 \$'000
Balance at 1 July	4,448,723	4,399,348
Recognised in profit or loss - realised	(861)	(864)
Purchases	83,523	72,186
Sales	-	(3,308)
Depreciation	(31,827)	(31,257)
Other Movements	4,165	(210)
Revaluations	46,909	12,828
Balance as at 30 June	4,550,632	4,448,723

There are no transfers identified in the table above.

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24 Related party disclosures

#### Key management personnel

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

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

	Year Ended 30 June 2020 \$'000	Year Ended 30 June 2019 \$'000
<b>Compensation</b>		
Short-term benefits	3,402	2,410
Post-employment benefits	179	142
Other long-term benefits	98	60
Termination benefits	-	511
<b>Total</b>	<b>3,679</b>	<b>3,122</b>

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

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

Nature of the transaction	Amount of the transactions during the year	Outstanding balances including commitments at year end	Terms and conditions	Provisions for impairment of receivables related to the amount of outstanding balances
2020	\$'000	\$'000		\$'000
Novated Leases <sup>3</sup>	54	-	-	-

#### 2019

Community Grants <sup>1</sup>	9	-	-	-
Lease Income <sup>2</sup>	3	-	Payable monthly in advance	-
Novated Leases <sup>3</sup>	15	-	-	-

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

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

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

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24 Related party disclosures (continued)

#### Other related parties

Type of related party	Nature of the transaction	Amount of the transactions during the year	Outstanding balances including commitments at year end	Terms and conditions
<b>2020</b>		<b>\$'000</b>	<b>\$'000</b>	
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Tipping Fees	12,448	2,697	-
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Lease Income	3,084	584	Payable monthly on the 1st of each month
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Other Income	-	-	-

#### 2019

Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Tipping Fees	9,711	637	-
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Lease Income	2,885	-	Payable monthly on the 1st of each month
Subsidiary - Kimbriki Environmental Enterprises Pty Limited	Other Income	9	5	-

## Northern Beaches Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 25 Statement of developer contributions

##### (a) Summary of developer contributions

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community facilities	8,319	210	165	133	(479)	-	8,348	-
Drainage	6,203	251	422	99	(883)	-	6,092	-
Open space	4,270	725	-	73	(1,109)	-	3,959	-
Roads	(5,763)	320	-	(90)	(80)	-	(5,613)	-
Local Infrastructure (Repealed Plan)*	7,099	876	-	144	(1,668)	-	6,451	-
Other	(406)	1,071	-	(5)	(54)	-	606	-
<b>S7.11 Contributions - under a Plan</b>	<b>19,722</b>	<b>3,453</b>	<b>587</b>	<b>354</b>	<b>(4,273)</b>	<b>-</b>	<b>19,843</b>	<b>-</b>
<b>S7.12 Levies - under a Plan</b>	<b>11,988</b>	<b>4,162</b>	<b>-</b>	<b>229</b>	<b>(6,100)</b>	<b>-</b>	<b>10,279</b>	<b>-</b>
<b>Total Revenue Under Plans</b>	<b>31,710</b>	<b>7,615</b>	<b>587</b>	<b>583</b>	<b>(10,373)</b>	<b>-</b>	<b>30,122</b>	<b>-</b>
S7.11 not under Plans	136	-	-	-	-	-	136	-
S7.4 Planning Agreements	1,069	1,182	595	28	(991)	-	1,883	-
<b>Total Contributions</b>	<b>32,915</b>	<b>8,797</b>	<b>1,182</b>	<b>611</b>	<b>(11,364)</b>	<b>-</b>	<b>32,141</b>	<b>-</b>
Less: Land	(121)	-	-	-	-	-	(121)	-
<b>Total Cash Contributions</b>	<b>32,794</b>	<b>8,797</b>	<b>1,182</b>	<b>611</b>	<b>(11,364)</b>	<b>-</b>	<b>32,020</b>	<b>-</b>

##### (b) Contributions - Under a plan

###### S7.11 Contributions - Under a plan

##### Former Manly Council - Residential (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	2,381	621	-	64	(283)	-	2,783	-
<b>Total</b>	<b>2,381</b>	<b>621</b>	<b>-</b>	<b>64</b>	<b>(283)</b>	<b>-</b>	<b>2,783</b>	<b>-</b>

\*Local Infrastructure (Repealed Plan) - Funds in repealed contribution plans have been pooled in accordance with Council resolution on 25/6/19



# Northern Beaches Council

## Notes to the Financial Statements for the year ended 30 June 2020

### 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 year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	991	(5)	-	19	(68)	-	937	-
<b>Total</b>	<b>991</b>	<b>(5)</b>	<b>-</b>	<b>19</b>	<b>(68)</b>	<b>-</b>	<b>937</b>	<b>-</b>

##### Former Manly Council - Other Precincts (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	1,057	-	-	8	(1,045)	-	20	-
<b>Total</b>	<b>1,057</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(1,045)</b>	<b>-</b>	<b>20</b>	<b>-</b>

##### Former Manly Council - Parking (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	1,958	-	-	39	-	-	1,997	-
<b>Total</b>	<b>1,958</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>1,997</b>	<b>-</b>

##### Former Manly Council - Other Manly (1999 plans)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	365	-	-	6	(192)	-	179	-
<b>Total</b>	<b>365</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(192)</b>	<b>-</b>	<b>179</b>	<b>-</b>

##### Former Manly Council - Tourist Developments (2005 plan)

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	57	-	-	1	51	-	109	-
<b>Total</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>51</b>	<b>-</b>	<b>109</b>	<b>-</b>

\*Local Infrastructure (Repealed Plan) - Funds in repealed contribution plans have been pooled in accordance with Council resolution on 25/6/19

# Northern Beaches Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 25 Statement of developer contributions (continued)

#### (b) Contributions - Under a plan (continued)

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

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	73	106	-	3	-	-	182	-
<b>Total</b>	<b>73</b>	<b>106</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>182</b>	<b>-</b>

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

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	134	26	-	1	(131)	-	30	-
<b>Total</b>	<b>134</b>	<b>26</b>	<b>-</b>	<b>1</b>	<b>(131)</b>	<b>-</b>	<b>30</b>	<b>-</b>

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

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	-	46	-	-	-	(46)	-	-
<b>Total</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>-</b>

##### Former Pittwater Council - Contribution Plan Number 19 - Village streetscape

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	82	82	-	3	-	46	213	-
<b>Total</b>	<b>82</b>	<b>82</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>46</b>	<b>213</b>	<b>-</b>

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

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	6,203	251	422	99	(883)	-	6,092	-
Roads	(5,763)	320	-	(90)	(80)	-	(5,613)	-
Open space	4,270	725	-	73	(1,109)	-	3,959	-
Community facilities	8,319	210	165	133	(479)	-	8,348	-
Other	(406)	39	-	(6)	(30)	-	(403)	-
<b>Total</b>	<b>12,623</b>	<b>1,545</b>	<b>587</b>	<b>209</b>	<b>(2,581)</b>	<b>-</b>	<b>12,383</b>	<b>-</b>

\*Local Infrastructure (Repealed Plan) - Funds in repealed contribution plans have been pooled in accordance with Council resolution on 25/6/19

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25 Statement of developer contributions (continued)

#### (b) Contributions - Under a plan (continued)

##### Dee Why Town Centre Contributions Plan

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	-	1,032	-	1	(24)	-	1,009	-
<b>Total</b>	<b>-</b>	<b>1,032</b>	<b>-</b>	<b>1</b>	<b>(24)</b>	<b>-</b>	<b>1,009</b>	<b>-</b>

#### S7.12 Contributions - Under a Plan

##### Former Warringah Council - s7.12 contribution plan

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	11,988	1,017	-	194	(5,257)	-	7,942	-
<b>Total</b>	<b>11,988</b>	<b>1,017</b>	<b>-</b>	<b>194</b>	<b>(5,257)</b>	<b>-</b>	<b>7,942</b>	<b>-</b>

##### Northern Beaches Council - s7.12 contribution plan

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	-	3,145	-	35	(843)	-	2,337	-
<b>Total</b>	<b>-</b>	<b>3,145</b>	<b>-</b>	<b>35</b>	<b>(843)</b>	<b>-</b>	<b>2,337</b>	<b>-</b>

#### (c) Contributions - not under a plan

##### Former Manly Council

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local Infrastructure (Repealed Plan)*	15	-	-	-	-	-	15	-
<b>Total</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>

##### Former Warringah Council

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

#### (d) S7.4 Contributions - Planning Agreements

Purpose	Opening Balance	Contributions received during the year		Interest earned during year	Expended during year	Internal borrowings during the year	Held as Restricted Asset	Cumulative Internal borrowings (to)/from
		Cash	Non Cash					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	1,069	1,182	595	28	(991)	-	1,883	-
<b>Total</b>	<b>1,069</b>	<b>1,182</b>	<b>595</b>	<b>28</b>	<b>(991)</b>	<b>-</b>	<b>1,883</b>	<b>-</b>

\*Local Infrastructure (Repealed Plan) - Funds in repealed contribution plans have been pooled in accordance with Council resolution on 25/6/19

# Northern Beaches Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### NOTE 26 Statement of performance measures - consolidated results

	Amounts 2020 \$'000	2020 Indicators	2019 Indicators	OLG Benchmark
<b>1. Operating Performance</b>				
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions less operating expenses <sup>2</sup>	(16,447)	X (4.97%)	✓ 2.89%	>0
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions	330,730			
<b>2. Own Source Operating Revenue</b>				
Total continuing operating revenue <sup>1</sup> excluding all grants and contributions	310,500	✓ 84.85%	✓ 90.64%	>60%
Total continuing operating revenue <sup>1</sup> inclusive of capital grants and contributions	365,924			
<b>3. Unrestricted Current Ratio</b>				
Current assets less all external restrictions	131,156	✓ 2.09x	✓ 2.65x	>1.5x
Current liabilities less specific purpose liabilities	62,669			
<b>4. Debt Service Cover Ratio</b>				
Operating Results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation	30,046	✓ 3.70x	✓ 6.40x	>2x
Principal repayments (from the statement of cash flows) plus borrowing costs (from the income statement)	8,110			
<b>5. Rates and Annual Charges Outstanding Percentage</b>				
Rates and Annual Charges Outstanding	8,948	✓ 4.12%	✓ 3.67%	<5%
Rates and Annual Charges Collectable	217,254			
<b>6. Cash Expense Cover Ratio</b>				
Current year's cash and cash equivalents + term deposits	153,510	✓ 5.39 months	✓ 7.53 months	>3 months
Payments from cash flow of operating and financing activities/12 mths	28,497			

**Note:**

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

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Northern Beaches Council

To the Councillors of Northern Beaches Council

### Opinion

I have audited the accompanying financial statements of Northern Beaches Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 24 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020  
SYDNEY



Mayor  
Northern Beaches Council  
PO BOX 82  
MANLY NSW 1655

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D2020045/1772

30 September 2020

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2020 Northern Beaches Council

I have audited the general purpose financial statements (GPFS) of the Northern Beaches Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

	2020 \$m	2019* \$m	Variance %
Rates and annual charges revenue	208.6	211.1	↓ 1.2
Grants and contributions revenue	55.4	33.6	↑ 64.9
Operating result from continuing operations	18.6	28.0	↓ 33.6
Net operating result before capital grants and contributions	(16.6)	9.9	↓ 267.7



Rates and annual charges revenue (\$208.6 million) decreased by \$2.5 million (1.2 per cent) in 2019–20. This was mainly due to the reduction in domestic waste standard charges to harmonise the previous three councils domestic waste charges.

Grants and contributions revenue (\$55.4 million) increased by \$21.8 million (64.9 per cent) in 2019–20 due to:

- \$5.4 million of Stronger Communities Fund grant
- \$11.8 million of asset dedications from Transport for NSW for B-Line Carpark and Amenities.

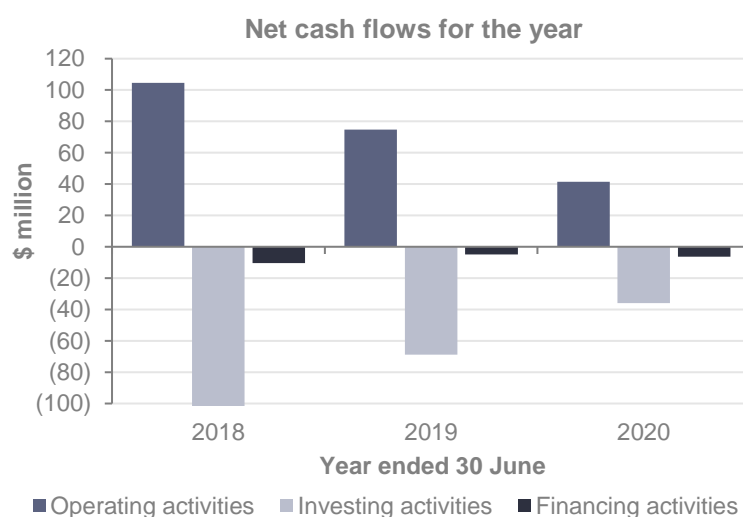
Council's operating result (\$18.6 million including the effect of depreciation and amortisation expense of \$43.5 million) was \$9.4 million lower than the 2018–19 result. This was mainly due to COVID-19 leading to lower user charges, fees and other revenues, while costs increased by 5 per cent. In addition, there were \$3.8 million in costs due to summer storms.

The net operating result before capital grants and contributions (loss of \$16.6 million) was \$26.5 million lower than the 2018–19 result.

## STATEMENT OF CASH FLOWS

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

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



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	38.7	72.2	Externally restricted balances include developer contributions and domestic waste management charges.
Internal restrictions	71.7	42.5	
Unrestricted	43.8	81.2	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day to day operations.
<b>Cash and investments</b>	<b>154.2</b>	<b>195.9</b>	

# PERFORMANCE

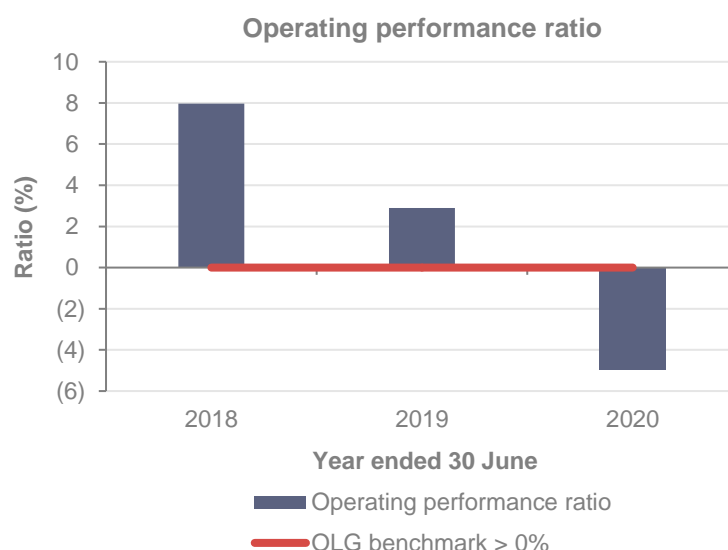
## Performance measures

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

### Operating performance ratio

Council has not met this benchmark for 2019–20. The decrease is mainly due to COVID-19 leading to lower revenues from user charges, fees and other revenues and higher capital contributions.

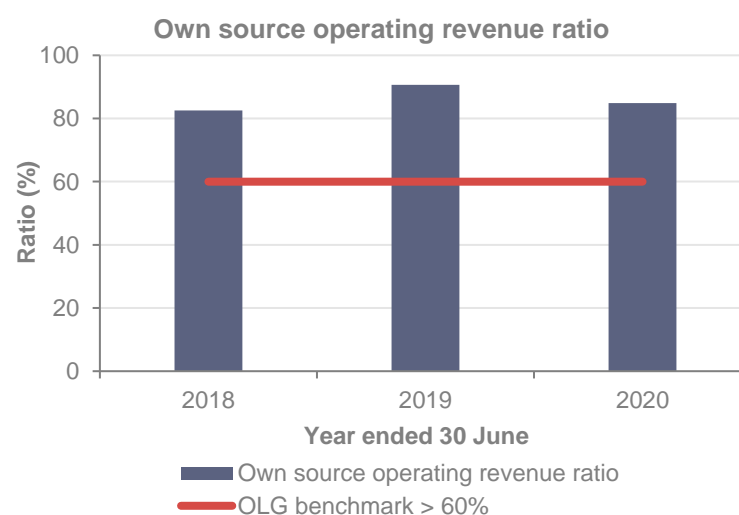
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



### Own source operating revenue ratio

Council continues to exceed the benchmark. The ratio fluctuates with movements in grants and contributions.

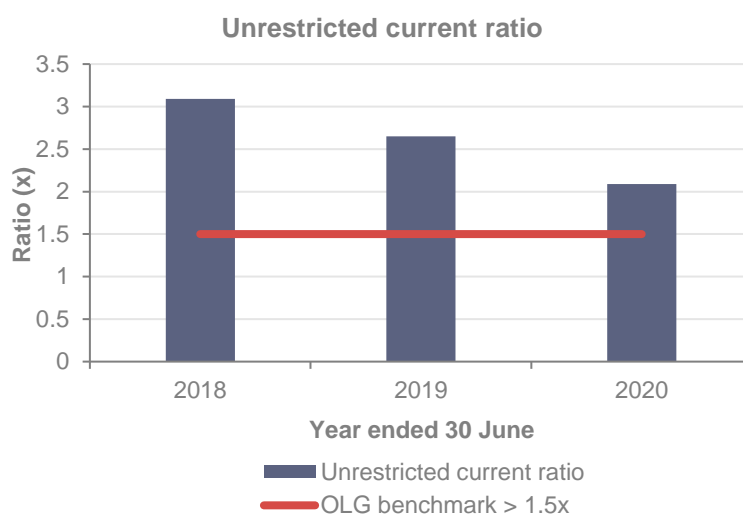
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

Council continues to exceed the benchmark. The decrease is due to lower current investment balance.

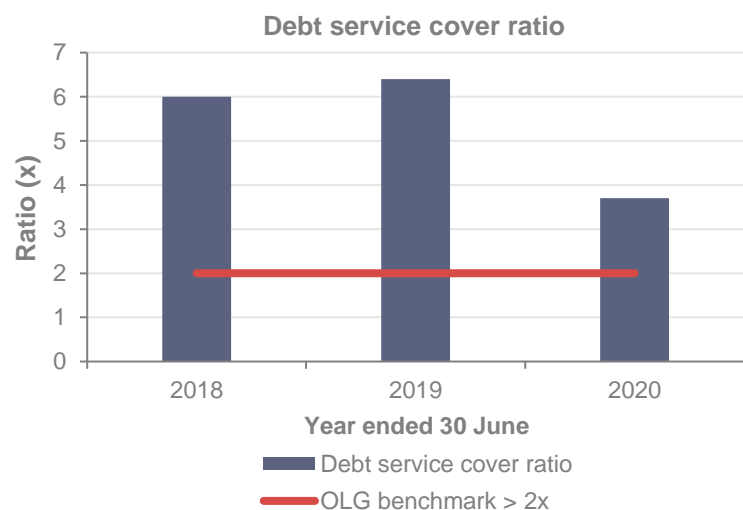
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

Council continues to exceed the benchmark due to repaying borrowings to reduce the outstanding balance, \$27.5 million at 30 June 2020 (\$32.6 million at 30 June 2019).

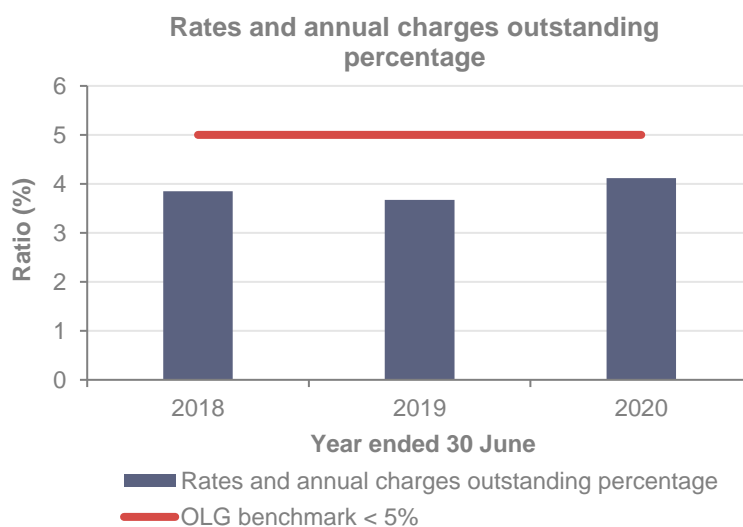
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding per centage

Council maintains low levels of outstanding rates and charges and remains below the benchmark.

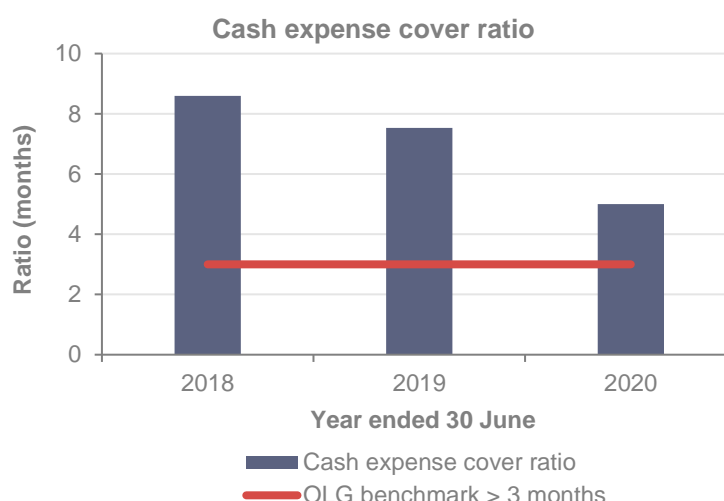
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

Council continues to exceed the benchmark despite decrease in cash and current investments to \$154.2 million at 30 June 2020 (\$195.9 million).

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



## Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$39.9 million in 2019–20 (\$44.3 million in 2018–19), including \$15.8 million on buildings and \$8.4 million on road renewals
- during the 2019–20 \$69.6 million (\$74.2 million in 2018–19) was spent on new assets including \$16.1 million on buildings, \$9.9 million on footpaths roads and \$6.7 million on other infrastructure.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$26.2 million decrease to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

## **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$0.4 million and lease liabilities of \$0.4 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

## **Legislative compliance**

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

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



Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

## Northern Beaches Council

Special purpose financial statements  
for the year ended 30 June 2020

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# Northern Beaches Council

## Special purpose financial statements

for the year ended 30 June 2020

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### Background

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

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

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

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

## Northern Beaches Council

### Special purpose financial statements

for the year ended 30 June 2020

#### Statement by Councillors and Management

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

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

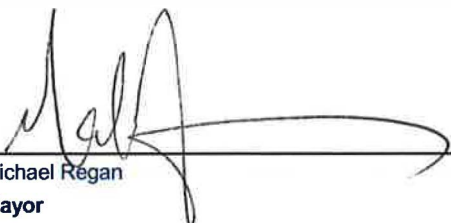


- the NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Division of Local Government Guidelines *"Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"*
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Northern Beaches Council made on 29 September 2020.

  
\_\_\_\_\_  
Michael Regan  
Mayor  
\_\_\_\_\_  
Sarah Grattan  
Councillor  
\_\_\_\_\_  
David Walsh  
Responsible Accounting Officer  
\_\_\_\_\_  
Ray Brownlee  
Chief Executive Officer



## Northern Beaches Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2020

	Children's Services	Children's Services	Kimbriki Environmental Enterprises	Kimbriki Environmental Enterprises
	Year Ended 30 June 2020	Year Ended 30 June 2019	Year Ended 30 June 2020	Year Ended 30 June 2019
	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>				
Access charges	9,520	12,198	-	-
Fees	-	-	36,081	31,685
Interest	-	-	282	415
Grants and contributions provided for non capital purposes	4,007	1,160	-	-
Profit from the sale of assets	-	-	-	4
Other income	19	9	2,471	3,306
<b>Total income from continuing operations</b>	<b>13,546</b>	<b>13,367</b>	<b>38,834</b>	<b>35,410</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs <sup>1</sup>	11,187	10,594	4,867	4,753
Borrowing costs	3	-	503	-
Materials and contracts <sup>1</sup>	1,875	2,378	14,271	11,115
Depreciation, amortisation and impairment	210	124	2,849	1,672
Loss on sale of assets	-	-	82	-
Other expenses <sup>1</sup>	1,139	1,436	13,720	14,428
Calculated Taxation Equivalent (Land & PRT)	506	-	-	-
Revaluation decrement of IPPE	-	91	-	-
<b>Total expenses from continuing operations</b>	<b>14,920</b>	<b>14,623</b>	<b>36,292</b>	<b>31,968</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,374)</b>	<b>(1,256)</b>	<b>2,542</b>	<b>3,442</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,374)</b>	<b>(1,256)</b>	<b>2,542</b>	<b>3,442</b>
<b>Surplus/(deficit) from all operations before tax</b>	<b>(1,374)</b>	<b>(1,256)</b>	<b>2,542</b>	<b>3,442</b>
Less: Corporate Taxation Equivalent (27.5%) [based on result before capital]	-	-	(699)	(947)
<b>Surplus/(deficit) after tax</b>	<b>(1,374)</b>	<b>(1,256)</b>	<b>1,843</b>	<b>2,495</b>
<b>Opening accumulated surplus</b>	<b>8,611</b>	<b>8,025</b>	<b>28,345</b>	<b>24,903</b>
<b>Add/Less: Allocation Adjustments Related to IPPE</b>	<b>447</b>	<b>863</b>	<b>-</b>	<b>-</b>
<b>Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables</b>	<b>(208)</b>	<b>(62)</b>	<b>-</b>	<b>-</b>
<b>Corporate taxation equivalent</b>	<b>-</b>	<b>-</b>	<b>699</b>	<b>947</b>
<b>Add:</b>				
<b>- Contribution to operations (excl asset reval &amp; dep'n)</b>	<b>1,164</b>	<b>1,041</b>	<b>-</b>	<b>-</b>
<b>Closing accumulated surplus</b>	<b>8,640</b>	<b>8,611</b>	<b>30,887</b>	<b>28,345</b>
Return on Capital %	-15.1%	-14.2%	5.9%	16.7%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 0.92%	1,461	1,378	-	-

<sup>1</sup>Various items have been re-classified from employee costs in accordance with changes to the Local Government Code of Accounting Practice

# Northern Beaches Council

## Income Statement of Council's Other Business Activities for the year ended 30 June 2020

	Glen Street Theatre Year Ended 30 June 2020 \$'000	Glen Street Theatre Year Ended 30 June 2019 \$'000	Certification Year Ended 30 June 2020 \$'000	Certification Year Ended 30 June 2019 \$'000
<b>Income from continuing operations</b>				
Fees	1,298	1,511	1,091	1,149
Other income	434	492	156	112
<b>Total income from continuing operations</b>	<b>1,732</b>	<b>2,003</b>	<b>1,247</b>	<b>1,261</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs <sup>1</sup>	1,164	1,024	1,601	1,857
Materials and contracts <sup>1</sup>	1,011	903	450	320
Depreciation, amortisation and impairment	86	86	-	-
Other expenses <sup>1</sup>	340	459	181	414
Calculated Taxation Equivalent (Land & PRT)	9	-	-	-
<b>Total expenses from continuing operations</b>	<b>2,610</b>	<b>2,472</b>	<b>2,232</b>	<b>2,591</b>
<b>Surplus/(deficit) from continuing operations before capital amounts</b>	<b>(878)</b>	<b>(469)</b>	<b>(985)</b>	<b>(1,330)</b>
<b>Surplus/(deficit) from continuing operations after capital amounts</b>	<b>(878)</b>	<b>(469)</b>	<b>(985)</b>	<b>(1,330)</b>
<b>Surplus/(deficit) from all operations before tax</b>	<b>(878)</b>	<b>(469)</b>	<b>(985)</b>	<b>(1,330)</b>
Less: Corporate Taxation Equivalent (27.5%) [based on result before capital]	-	-	-	-
<b>Surplus/(deficit) after tax</b>	<b>(878)</b>	<b>(469)</b>	<b>(985)</b>	<b>(1,330)</b>
<b>Opening accumulated surplus</b>	7,606	7,790	-	-
<b>Add/Less: Allocation Adjustments Related to IPPE</b>	221	43	-	-
<b>Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables</b>	379	(141)	-	-
<b>Add:</b>				
<b>- Contribution to operations (excl asset reval &amp; dep'n)</b>	792	383	985	1,330
<b>Closing accumulated surplus</b>	<b>8,120</b>	<b>7,606</b>	<b>-</b>	<b>-</b>
Return on Capital %	-10.3%	-5.6%	n/a	n/a
Subsidy from Council - If surplus is less than rate of return on IPPE @ 0.92%	956	585	n/a	n/a

<sup>1</sup>Various items have been re-classified from employee costs in accordance with changes to the Local Government Code of Accounting Practice

## Northern Beaches Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2020

	Aquatic Centres	Aquatic Centres	Parking Stations	Parking Stations
	Year Ended	Year Ended	Year Ended	Year Ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>				
Access charges	6,596	7,157	-	-
User charges	-	-	3,866	4,868
Grants and contributions provided for non capital purposes	-	1	-	-
Other income	500	436	-	-
<b>Total income from continuing operations</b>	<b>7,096</b>	<b>7,594</b>	<b>3,866</b>	<b>4,868</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs <sup>1</sup>	5,824	5,461	646	515
Borrowing costs	354	438	176	197
Materials and contracts <sup>1</sup>	1,299	1,288	272	417
Depreciation, amortisation and impairment	1,508	1,516	516	371
Other expenses <sup>1</sup>	1,961	2,120	1,085	871
Calculated Taxation Equivalent (Land & PRT)	240	-	-	-
Revaluation decrement of IPPE	-	1,247	-	-
<b>Total expenses from continuing operations</b>	<b>11,186</b>	<b>12,070</b>	<b>2,695</b>	<b>2,371</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4,090)</b>	<b>(4,476)</b>	<b>1,171</b>	<b>2,497</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(4,090)</b>	<b>(4,476)</b>	<b>1,171</b>	<b>2,497</b>
<b>Surplus/(deficit) from all operations before tax</b>	<b>(4,090)</b>	<b>(4,476)</b>	<b>1,171</b>	<b>2,497</b>
Less: Corporate Taxation Equivalent (27.5%) [based on result before capital]	-	-	(322)	(687)
<b>Surplus/(deficit) after tax</b>	<b>(4,090)</b>	<b>(4,476)</b>	<b>849</b>	<b>1,810</b>
<b>Opening accumulated surplus<sup>2</sup></b>	<b>37,850</b>	<b>38,846</b>	<b>7,421</b>	<b>6,317</b>
<b>Add/Less: Allocation Adjustments Related to IPPE</b>	<b>667</b>	<b>298</b>	<b>5,755</b>	<b>886</b>
<b>Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Liabilities and Receivables</b>	<b>1,593</b>	<b>1,469</b>	<b>610</b>	<b>589</b>
<b>Corporate taxation equivalent</b>	<b>-</b>	<b>-</b>	<b>322</b>	<b>687</b>
<b>Add:</b>				
- Contribution to operations (excl asset reval & dep'n)	2,582	1,713	-	-
<b>Less:</b>				
- Surplus dividend paid (excl asset reval & dep'n)	-	-	(1,687)	(2,868)
<b>Closing accumulated surplus</b>	<b>38,602</b>	<b>37,850</b>	<b>13,270</b>	<b>7,421</b>
Return on Capital %	-8.5%	-9.2%	1.8%	7.3%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 0.92%	4,925	5,647	-	-

<sup>1</sup>Various items have been re-classified from employee costs in accordance with changes to the Local Government Code of Accounting Practice

# Northern Beaches Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2020

	Sydney Lakeside Caravan Park Year Ended 30 June 2020 \$'000	Sydney Lakeside Caravan Park Year Ended 30 June 2019 \$'000
<b>Income from continuing operations</b>		
User charges	4,797	5,728
Other income	1,117	1,121
<b>Total income from continuing operations</b>	<b>5,914</b>	<b>6,849</b>
<b>Expenses from continuing operations</b>		
Borrowing costs	92	114
Materials and contracts <sup>1</sup>	650	832
Depreciation, amortisation and impairment	153	141
Other expenses <sup>1</sup>	1,932	2,167
Calculated Taxation Equivalent (Land & PRT)	186	-
Revaluation decrement of IPPE	2,021	-
<b>Total expenses from continuing operations</b>	<b>5,034</b>	<b>3,254</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>880</b>	<b>3,595</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>880</b>	<b>3,595</b>
<b>Surplus/(deficit) from all operations before tax</b>	<b>880</b>	<b>3,595</b>
Less: Corporate Taxation Equivalent (27.5%) [based on result before capital]	(242)	(989)
<b>Surplus/(deficit) after tax</b>	<b>638</b>	<b>2,606</b>
<b>Opening accumulated surplus</b>	16,018	15,594
<b>Add/Less: Allocation Adjustments Related to IPPE</b>	446	311
<b>Add/Less: Allocation Adjustments Related to Borrowings, Inventory, Payables and Receivables</b>	535	254
<b>Corporate taxation equivalent</b>	242	989
Less:		
<b>- Surplus dividend paid (excl asset reval &amp; dep'n)</b>	(3,054)	(3,736)
<b>Closing accumulated surplus</b>	<b>14,825</b>	<b>16,018</b>
Return on Capital %	3.3%	18.9%
Subsidy from Council - If surplus is less than rate of return on IPPE @ 0.92%	-	-

<sup>1</sup>Various items have been re-classified from employee costs in accordance with changes to the Local Government Code of Accounting Practice

# Northern Beaches Council

## Statement of Financial Position of Council's Other Business Activities

as at 30 June 2020

	Actual 2020 Children's Services Category 1 \$'000	Actual 2019 Children's Services Category 1 \$'000	Actual 2020 Kimbriki Environmental Enterprises Category 1 \$'000	Actual 2019 Kimbriki Environmental Enterprises Category 1 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	2,428	2,246
Investments	-	-	20,411	18,297
Receivables	1	152	4,021	1,725
Inventories	-	-	6	2
<b>Total Current Assets</b>	<b>1</b>	<b>152</b>	<b>26,866</b>	<b>22,271</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	9,098	8,861	22,616	20,660
Right of use assets	137	-	10,977	-
<b>Total Non-Current Assets</b>	<b>9,235</b>	<b>8,861</b>	<b>33,593</b>	<b>20,660</b>
<b>Total Assets</b>	<b>9,236</b>	<b>9,013</b>	<b>60,459</b>	<b>42,931</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	458	402	6,382	4,830
Lease liabilities	61	-	603	-
Provisions	-	-	1,181	1,032
<b>Total Current Liabilities</b>	<b>519</b>	<b>402</b>	<b>8,166</b>	<b>5,861</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	10,712	8,615
Lease liabilities	77	-	10,577	-
Provisions	-	-	117	111
<b>Total Non-Current Liabilities</b>	<b>77</b>	<b>-</b>	<b>21,406</b>	<b>8,725</b>
<b>Total Liabilities</b>	<b>596</b>	<b>402</b>	<b>29,572</b>	<b>14,586</b>
<b>Net Assets</b>	<b>8,640</b>	<b>8,611</b>	<b>30,887</b>	<b>28,345</b>
<b>EQUITY</b>				
Accumulated surplus	8,640	8,611	30,887	28,345
Council equity interest	8,640	8,611	30,887	28,345
Minority equity interest	-	-	-	-
<b>Total Equity</b>	<b>8,640</b>	<b>8,611</b>	<b>30,887</b>	<b>28,345</b>

# Northern Beaches Council

## Statement of Financial Position of Council's Other Business Activities

as at 30 June 2020

	Actual 2020 Glen Street Theatre Category 1 \$'000	Actual 2019 Glen Street Theatre Category 1 \$'000	Actual 2020 Certification Category 2 \$'000	Actual 2019 Certification Category 2 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Receivables	12	-	-	-
Inventories	7	10	-	-
Other	30	-	-	-
<b>Total Current Assets</b>	<b>49</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	8,514	8,379	-	-
<b>Total Non-Current Assets</b>	<b>8,514</b>	<b>8,379</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>8,563</b>	<b>8,389</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	1	-	-
Income received in advance	443	782	-	-
<b>Total Current Liabilities</b>	<b>443</b>	<b>783</b>	<b>-</b>	<b>-</b>
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>443</b>	<b>783</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>8,120</b>	<b>7,606</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>				
Accumulated surplus	8,120	7,606	-	-
Council equity interest	8,120	7,606	-	-
Minority equity interest	-	-	-	-
<b>Total Equity</b>	<b>8,120</b>	<b>7,606</b>	<b>-</b>	<b>-</b>

# Northern Beaches Council

## Statement of Financial Position of Council's Other Business Activities

as at 30 June 2020

	Actual 2020	Actual 2019	Actual 2020	Actual 2019
	Aquatic Centres	Aquatic Centres	Parking Stations	Parking Stations
	Category 1	Category 1	Category 1	Category 1
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Receivables	20	5	-	-
Inventories	46	41	-	-
<b>Total Current Assets</b>	<b>66</b>	<b>46</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	52,298	53,139	36,882	31,643
<b>Total Non-Current Assets</b>	<b>52,298</b>	<b>53,139</b>	<b>36,882</b>	<b>31,643</b>
<b>Total Assets</b>	<b>52,364</b>	<b>53,185</b>	<b>36,882</b>	<b>31,643</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Income received in advance	-	73	-	-
Borrowings	1,500	1,500	635	610
<b>Total Current Liabilities</b>	<b>1,500</b>	<b>1,573</b>	<b>635</b>	<b>610</b>
<b>Non-Current Liabilities</b>				
Borrowings	3,750	5,250	3,552	4,187
<b>Total Non-Current Liabilities</b>	<b>3,750</b>	<b>5,250</b>	<b>3,552</b>	<b>4,187</b>
<b>Total Liabilities</b>	<b>5,250</b>	<b>6,823</b>	<b>4,187</b>	<b>4,797</b>
<b>Net Assets</b>	<b>47,114</b>	<b>46,362</b>	<b>32,695</b>	<b>26,846</b>
<b>EQUITY</b>				
Accumulated surplus	38,602	37,850	13,270	7,421
IPP&E revaluation surplus	8,512	8,512	19,425	19,425
Council equity interest	47,114	46,362	32,695	26,846
<b>Total Equity</b>	<b>47,114</b>	<b>46,362</b>	<b>32,695</b>	<b>26,846</b>

# Northern Beaches Council

## Statement of Financial Position of Council's Other Business Activities

as at 30 June 2020

	Actual 2020 Sydney Lakeside Caravan Park Category 1 \$'000	Actual 2019 Sydney Lakeside Caravan Park Category 1 \$'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	16,680	18,408
<b>Total Non-Current Assets</b>	<b>16,680</b>	<b>18,408</b>
<b>Total Assets</b>	<b>16,680</b>	<b>18,408</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	56	247
Income received in advance	453	377
Borrowings	443	420
<b>Total Current Liabilities</b>	<b>952</b>	<b>1,044</b>
<b>Non-Current Liabilities</b>		
Borrowings	903	1,346
<b>Total Non-Current Liabilities</b>	<b>903</b>	<b>1,346</b>
<b>Total Liabilities</b>	<b>1,855</b>	<b>2,390</b>
<b>Net Assets</b>	<b>14,825</b>	<b>16,018</b>
<b>EQUITY</b>		
Accumulated surplus	14,825	16,018
Council equity interest	14,825	16,018
Minority equity interest	-	-
<b>Total Equity</b>	<b>14,825</b>	<b>16,018</b>



# Northern Beaches Council

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1 Significant accounting policies

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

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

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

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

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

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

#### National Competition Policy

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

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

#### Declared Business Activities

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

##### Category 1

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

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

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

**Glen Street Theatre** - Council's local theatre

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

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

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

##### Category 2

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

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

#### Monetary Amounts

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

## Northern Beaches Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

#### Note 1 Significant accounting policies (continued)

##### (i) Taxation Equivalent Charges

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

Corporate Income Tax Rate – 27.5%

Land Tax – The first \$734,000 of combined land values attracts 0%. From \$734,001 to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

##### Income Tax

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

##### (ii) Subsidies

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

##### (iii) Return on Investments (Rate of Return)

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

##### (iv) Dividends

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

##### (v) Change in Accounting Policy

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Northern Beaches Council**

To the Councillors of Northern Beaches Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Northern Beaches Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020  
SYDNEY

# Northern Beaches Council

Special Schedules  
for the year ended 30 June 2020

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# Northern Beaches Council

## Special Schedules

for the year ended 30 June 2020

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<sup>1</sup> Special Schedules are not audited

# Northern Beaches Council

## Special Schedules

for the year ended 30 June 2020

### Permissible income for general rates

		2020/21				2019/20			
		Former Manly Council \$'000	Former Pittwater Council \$'000	Former Warringah Council \$'000	Northern Beaches Council \$'000	Former Manly Council \$'000	Former Pittwater Council \$'000	Former Warringah Council \$'000	Northern Beaches Council \$'000
Notional general income calculation <sup>(1)</sup>									
Last year notional income yield		30,835	43,103	93,962	167,900	30,088	41,983	91,476	163,547
Plus/minus adjustments <sup>(2)</sup>		46	78	728	852	(64)	20	31	(13)
Notional general income		30,881	43,181	94,690	168,752	30,024	42,003	91,507	163,534
Permissible income calculation									
Special variation <sup>(3)</sup>	%	-	-	-	-	-	-	-	-
OR Rate peg	%	2.6%	2.6%	2.6%	-	2.7%	2.7%	2.7%	-
OR Crown land adjustment incl. rate peg	%	-	-	-	-	-	-	-	-
OR plus rate peg amount		803	1,123	2,462	4,388	811	1,134	2,470	4,415
OR plus Crown land adjustment and rate peg amount		-	-	-	-	-	-	-	-
Sub-total		31,684	44,304	97,152	173,140	30,835	43,137	93,977	167,949
Plus or minus last year's carry forward total		-	10	15	25	1	(14)	15	2
Less valuation objections claimed in previous year		-	-	-	-	-	(10)	(15)	(25)
Sub-total		-	10	15	25	1	(24)	-	(23)
Total permissible income		31,684	44,314	97,167	173,165	30,836	43,113	93,977	167,926
Less notional income yield		31,684	44,314	97,167	173,165	30,835	43,103	93,962	167,900
Catch-up or (excess) result		-	-	-	-	1	10	15	26
Plus income lost due to valuation objections claimed <sup>(4)</sup>		-	-	-	-	-	-	-	-
Less unused catch up <sup>(5)</sup>		-	-	-	-	1	-	-	1
Carry forward to next year <sup>(6)</sup>		-	-	-	-	-	10	15	25



# Northern Beaches Council

## Special Schedules

for the year ended 30 June 2020

### Permissible income for general rates (continued)

#### Notes

<sup>1</sup> The 'notional general income' will not reconcile with rate income in the financial statements in the corresponding year. The statements exclude intra-entity transactions and are reported on an accrual accounting basis, which includes amounts that relate to prior years' rates income.

<sup>2</sup> 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).

<sup>3</sup> The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.

<sup>4</sup> 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.

<sup>5</sup> 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.

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

## Northern Beaches Council

## Special Schedules

for the year ended 30 June 2020

## Report on infrastructure assets

Asset Class	Asset Category	Estimated cost to bring assets to a satisfactory standard	Estimated cost to bring assets to the agreed level of service set by Council <sup>1</sup>	2019/20 Required annual maintenance	2019/20 Actual maintenance	Net carrying amount	Gross Replacement Cost (GRC)	Asset condition as % of gross replacement cost				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	1	2	3	4	5
<b>Buildings</b>		3,697	3,697	7,979	11,076	495,979	665,615	42.2%	46.0%	10.4%	1.3%	0.1%
		<b>3,697</b>	<b>3,697</b>	<b>7,979</b>	<b>11,076</b>	<b>495,979</b>	<b>665,615</b>	<b>42.2%</b>	<b>46.0%</b>	<b>10.4%</b>	<b>1.3%</b>	<b>0.1%</b>
<b>Roads</b>	Roads - Sealed	7,447	7,447	8,375	8,344	476,769	532,140	47.8%	36.5%	12.4%	3.0%	0.3%
	Roads - Unsealed	39	39	105	105	1,499	1,745	20.6%	67.0%	6.8%	5.6%	0.0%
	Bridges	-	-	9	9	9,155	12,509	20.0%	79.2%	0.7%	0.0%	0.0%
	Footpaths	481	481	2,160	2,158	102,107	114,562	28.5%	54.3%	16.2%	0.9%	0.1%
	Other Road Assets	2,766	2,766	3,096	3,089	207,821	247,355	5.5%	65.7%	26.3%	2.0%	0.5%
		<b>10,733</b>	<b>10,733</b>	<b>13,745</b>	<b>13,705</b>	<b>797,351</b>	<b>908,311</b>	<b>33.4%</b>	<b>47.4%</b>	<b>16.5%</b>	<b>2.4%</b>	<b>0.3%</b>
<b>Other Infrastructure</b>		1,921	1,921	4,778	4,577	179,563	212,074	16.2%	60.3%	21.5%	1.7%	0.3%
		<b>1,921</b>	<b>1,921</b>	<b>4,778</b>	<b>4,577</b>	<b>179,563</b>	<b>212,074</b>	<b>16.2%</b>	<b>60.3%</b>	<b>21.5%</b>	<b>1.7%</b>	<b>0.3%</b>
<b>Stormwater Drainage</b>		16,455	16,455	3,353	2,223	817,332	977,219	6.3%	68.3%	21.4%	3.7%	0.3%
		<b>16,455</b>	<b>16,455</b>	<b>3,353</b>	<b>2,223</b>	<b>817,332</b>	<b>977,219</b>	<b>6.3%</b>	<b>68.3%</b>	<b>21.4%</b>	<b>3.7%</b>	<b>0.3%</b>
<b>Open Space/Recreational Assets</b>	Swimming Pools	251	251	1,325	1,388	22,629	27,338	27.1%	32.8%	38.0%	1.8%	0.3%
	Other	486	486	4,958	6,032	115,501	130,957	33.9%	53.9%	11.4%	0.6%	0.2%
		<b>737</b>	<b>737</b>	<b>6,283</b>	<b>7,420</b>	<b>138,130</b>	<b>158,295</b>	<b>32.7%</b>	<b>50.2%</b>	<b>16.0%</b>	<b>0.9%</b>	<b>0.2%</b>
<b>Total Classes</b>	<b>Total - All Assets</b>	<b>33,543</b>	<b>33,543</b>	<b>36,138</b>	<b>39,001</b>	<b>2,428,355</b>	<b>2,921,514</b>	<b>25.0%</b>	<b>55.2%</b>	<b>17.1%</b>	<b>2.5%</b>	<b>0.2%</b>

## Infrastructure Asset Condition Assessment

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

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

# Northern Beaches Council

## Special Schedules

for the year ended 30 June 2020

### Report on infrastructure assets

#### Infrastructure asset performance indicators – consolidated

	2020 \$'000	Current Year indicators	2019	OLG Benchmark
<b>1. Building and infrastructure renewals ratio<sup>1</sup></b>		✓	✓	
Asset renewals (renewals only for Infrastructure Assets)	36,579	121.34%	139.09%	>100%
Depreciation, amortisation and impairment	30,145			
<b>2. Infrastructure backlog ratio<sup>1</sup></b>		✓	✓	
Estimated cost to bring assets to a satisfactory standard	33,543	1.38%	1.32%	<2%
Net carrying amount of infrastructure assets	2,428,355			
<b>3. Asset maintenance ratio</b>		✓	✓	
Actual asset maintenance	39,001	107.92%	115.45%	>100%
Required asset maintenance	36,138			
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring to an agreed level of service set by Council	33,543	1.15%	1.10%	
Gross replacement cost	2,921,514			

All indicators are calculated using the asset classes identified in the above table.

<sup>1</sup>Excludes work in progress (WIP)



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule - Permissible income for general rates**

#### **Northern Beaches Council**

To the Councillors of Northern Beaches Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Northern Beaches Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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.

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

My objectives are to:

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

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

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

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

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



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 September 2020  
SYDNEY