

## 10.1. Financial Statements for the Year Ended 30 June 2023

<b>AUTHOR</b>	Christian Menday, Manager Financial Services
<b>ENDORSED BY</b>	Luke Harvey, Director Corporate Support
<b>ATTACHMENTS</b>	1. Annual Financial Statements 2023 [10.1.1 - 80 pages]
<b>CSP LINK</b>	5. Our Civic Leadership 5.1 Lead North Sydney's strategic direction

### PURPOSE:

The purpose of this report is to present the draft Financial Statements for the year ended 30 June 2023 and to seek Council approval to refer them to the Audit Office of NSW for audit. The audited statements will be reported to a future Council Meeting.

### EXECUTIVE SUMMARY:

- The Income Statement discloses a net operating surplus of \$24.5 million. This is \$14.5 million more than the \$8.0 million surplus forecast in the original budget.
- The net operating surplus, before Capital Grants and Contributions, is a deficit of \$2.3 million compared to a balanced result in the original budget. This was impacted by a reduction in assessed value of \$2.7m for Council's Investment Properties.
- The Operating Performance Ratio (which excludes the non-cash item reduction in value of Investment Properties and Loss on Disposal of Assets) is positive, indicating Council controlled expenses within its income.
- The effects of a trend to higher depreciation expenses were offset by increased parking related income and interest income.
- Council's financial position as at 30 June 2023 is sound.

### RECOMMENDATION:

**1. THAT** Council resolves that, in its opinion, the General Purpose Financial Statements and Special Schedules for the year ended 30 June 2023:

- have been properly drawn up in accordance with the provisions of the Act and the associated Regulations thereunder, the Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting;
- to the best of Council's knowledge and belief, the statements present fairly Council's operating result and financial position for the year and accord with Council's accounting and other records; and
- Council is unaware of any matter that would render the Financial Statements false or misleading in any way.

**2. THAT** Council declares there are no business activities requiring the preparation of Special Purpose Financial Statements.

- 3. THAT** the Statement by Councillors and Management for the General Purpose Financial Statements be signed by the Mayor, Deputy Mayor, General Manager, and Responsible Accounting Officer.
- 4. THAT** the Financial Statements be referred to the Audit Office of NSW for audit.
- 5. THAT** arrangements be made to place copies of the audited Financial Statements on public exhibition and the necessary advertisements be published.
- 6. THAT** a copy of the audited Financial Statements be forwarded to the NSW Office of Local Government.
- 7. THAT** in accordance with Section 418 of the Act, the audited Financial Statements be presented to the ordinary meeting of 27 November 2023.

## Background

Under section 416(1) of the Local Government Act 1993, Council's financial statements must be prepared and audited within 4 months of the end of the financial year.

The statutory process that must be followed is:

1. The financial statements must include a statement made by resolution of the Council and signed by the Mayor and at least one other Councillor, the General Manager, and the Responsible Accounting Officer.
2. The financial statements must then be referred to Council's auditors and, once audited, included in Council's Annual Report.
3. A copy of the audited financial statements must be forwarded to the Office of Local Government by 31 October 2023.
4. As soon as practicable after Council receives a copy of the auditor's report, the financial statements must be placed on public exhibition and notice given of a meeting at which Council proposes to present the audited financial statements, together with the auditor's report. The date fixed for the meeting must be at least seven days after the date on which the notice is given, but not more than 5 weeks after the auditor's reports are provided to Council.

The draft 2022/23 Financial Statements are attached to this report. The statements have been prepared in accordance with the Act and associated Regulations, the Australian Accounting Standards, and the Local Government Code of Accounting Practice and Financial Reporting. The statements were presented to the Audit, Risk, and Improvement Committee on 13 October 2023 to provide committee members, with an opportunity to review the document and provide feedback for consideration.

## Report

### Net Operating Result

As disclosed in the Income Statement for the year ended 30 June 2023, the net operating result including capital grants and contributions was a surplus of \$24.5 million, \$16.5 million more than the \$8.0 million surplus forecast in the original budget. The result was less, by \$1.0 million, than the revised surplus of \$25.5 million forecast in the March Quarterly Budget Review.

Excluding capital grants and contributions, the net operating result was a deficit of \$2.3 million, \$2.3 million less than the balanced result (\$15.0 thousand deficit) forecast in the original budget. This result was a deterioration of \$211 thousand, to the \$2.1 million deficit forecast in the March Quarterly Budget Review.

The following table provides a summary of the net operating result.

	<b>2022/23 Original Budget (\$'000)</b>	<b>2022/23 Actual (\$'000)</b>	<b>2022/23 Variance (\$'000)</b>	<b>2021/22 Actual (\$'000)</b>
<b>2022/23 Operating Result</b>				
Income from continuing operations	131,834	157,744	25,910	141,713
Expenses from continuing operations	123,825	133,272	(9,447)	119,224
Net operating result for the year	8,009	24,472	16,463	22,489
Net operating result for the year before grants and contributions provided for capital purposes	(15)	(2,281)	(2,266)	1,811

**Income from continuing operations** was \$25.9 million more than forecast in the original budget. The following table details major income sources that materially contributed to the variation.

<b>Category/Type</b>	<b>Variance from original budget (\$'000)</b>	<b>Reason</b>
Developer Contributions	13,500	Higher than expected activity resulted in increased developer contributions incl. commencement of large development at 2-4 Blue St/1-5 William St
Capital Contribution in kind	4,060	Contribution of land to expand 1 Henry Lawson Avenue Park
Parking Station Fees	2,600	Increased activity as compared to previous years
Interest and investment revenue	2,306	Greater than expected funds available for investment due to delays in the commencement of some capital works projects.
Parking Infringements	1,654	Increased activity as compared to previous years
Financial Assistance Grant	767	Early receipt of the 2023/24 grant
Parking Meter Fees	413	Increased activity as compared to previous years.

**Parking related income** contributed significantly more than budgeted for the year due to increased activity, compared to previous lock-down affected years. A comparison of parking related income streams since before Covid lockdowns (FY 2018/19) follows.

<b>Parking Meter Fees</b>					
<b>Year</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
<b>Inflation Adjusted Results</b>	9,601	7,496	9,812	10,248	12,103
<b>Nominal Result</b>	9,601	7,032	8,743	8,772	10,297
<b>SYD All Groups CPI</b>	134.00	125.70	119.40	114.70	114.00

Parking Station Fees					
Year	2022/23	2021/22	2020/21	2019/20	2018/19
Inflation Adjusted Results	6,993	4,732	4,526		
Nominal Result	6,993	4,439	4,033		

No FY 2020 or 2019 comparatives are offered as bringing Ward Street Car Park operations in-house in August 2020 materially increased overall revenue and changed the mix of parking station revenue to lease revenue.

Parking Infringement Revenue					
Year	2022/23	2021/22	2020/21	2019/20	2018/19
Inflation Adjusted Results	7,655	5,525	7,057	6,911	8,390
Nominal Result	7,655	5,183	6,288	5,916	7,138

These income sources remain below pre-Covid levels. The reliability of these income sources in the medium to long term is also in question. State Government legislation and policy, as well as Council's own policies, seek to reduce vehicle traffic in CBD areas. It is therefore possible these income sources will not persist, at these levels, in the long term. Future Council financial strategy will consider this.

**Interest and investment income** exceeded original budget significantly due to the unforeseen interest rate increases and ongoing high cash balances. Council's ambitious capital works program will see a reduction in cash balances over the FY2024 Financial Year. The adopted FY2024 Budget forecasts a net draw down on reserves of \$50.8 million. When inflation returns to the RBA target range, it is expected official cash rates and, hence, term deposit returns, will fall. It is not expected income will persist at this level into the future.

Interest Revenue Yearly Comparison					
Year	2022/23	2021/22	2020/21	2019/20	2018/19
Results	3,690	1,368	1,373	1,970	2,407

**Expenses from continuing operations** were \$9.5 million more than forecast in the original budget. The following table details major expenses that materially contributed to the variation.

Category/Type	Variance from original budget (\$'000)	Reason
Depreciation and amortisation	(3,247)	Ongoing construction cost inflation, found retaining walls, found fences, and the recognition of community housing assets have all contributed to an increased depreciation expense.

Category/Type	Variance from original budget (\$'000)	Reason
Revaluation decrement to investment properties	(2,700)	The annual revaluation resulted in a decrement reflective of commercial property trends and expectations in the broader domestic and international markets
Legal Fees	(2,000)	Increased activity in the Land and Environment Court, including the successful MLC heritage matter resulted in higher-than-expected legal fees
Contract Employment	(1,400)	Savings in employee benefits of \$2.0 million were offset by increased Contract Employment expenditure of \$1.4 million.
Net Losses on the Disposal of Assets	(706)	Analysis of infrastructure and plant renewed revealed higher disposal costs.

**Depreciation and amortisation** have materially increased in recent years. The factors driving this are construction cost increases and the recognition of found assets and the recognition of community housing assets.

Depreciation Expense - Net of North Sydney Olympic Pool					
Year	2022/23	2021/22	2020/21	2019/20	2018/19
<b>Inflation Adjusted Results</b>	27,109	25,282	26,293	26,635	25,542
<b>Nominal Result</b>	27,109	23,716	23,428	22,799	21,730

Depreciation Expense North Sydney Olympic Pool					
Year	2022/23	2021/22	2020/21	2019/20	2018/19
<b>Inflation Adjusted Results</b>	75	80	3,132	7,654	448
<b>Nominal Result</b>	75	75	2,791	6,552	381

*2020/21 and 2019/20 reflect accelerated depreciation of the old structures pending their demolition. 2022/23 and 2021/22 reflect depreciation of retained heritage structures.*

The following table summarises the factors driving increased depreciation in FY 2023.

Contributors to Increased Depreciation FY 2023	
	\$'(000)
Construction Cost Increases	2,260
Recognition of Community Housing	876
Found Retaining Walls	153
Found Fences	104
<b>Total</b>	<b>3,393</b>

The commissioning of the new North Sydney Olympic Pool will result in a further increase in depreciation of at least \$1.8 million per annum. Development of the pool's business plan is

well advanced, and the increased income opportunities will go some way to funding the pool's depreciation. This new cost of depreciation for all asset classes, however, represents a strategic challenge to Council and will need to be factored into Asset Management Plans, budgets, and the Long-Term Financial Plan.

The **revaluation decrement to investment properties** is a non-cash expense. Council's portfolio remains well occupied and continues to provide a reliable income stream. The decrement is driven by trends in CBD commercial properties in Australia and globally. These trends are to lower returns on commercial properties due to social and technological change.

**Legal fees** exceeded original budget by \$2 million due to large development related matters, including the successful MLC building heritage matter. Whilst these large matters can be considered rare, or one-off matters, extensive development work is in progress in the LGA. The increased possibility of legal dispute in these large developments represents strategic risk to Council and will need to be factored into strategic documents.

While **Contract employment** was \$1.4 million over the original budget, it was more than offset by savings due to staff vacancies. Through the efforts and hard work of staff and management these savings were realised while funding termination benefits to six Key Management Personnel totalling \$1.7 million (see **Note E** p 57 in draft Statements).

### **Capital Expenditure**

During the year, \$48.5 million was spent on capital projects. \$43.6 million was spent on the renewal of existing infrastructure, property, plant, and equipment. \$4.9 million was spent on the acquisition of new infrastructure, property, plant, and equipment.

\$4.1 million of land was contributed in-kind to expand 1 Henry Lawson Avenue Park (see also contributions income above).

\$183,000 was spent on the refurbishment of investment properties.

Due to a combination of factors, including the knock-on effect of pandemic lockdowns, the knock-on effect of inclement weather in the previous year, supply chain issues, contractor availability, and staff turnover, many capital projects were not completed as scheduled by 30 June 2023.

To fund the completion of these projects, it will be necessary to carry forward \$18.48 million from the 2022/23 budget to the 2023/24 budget.

### **Year-end Cash Position**

As of 30 June 2023, cash and investments totaled \$147.5 million, an increase of \$3.6 million from the previous year.

Of the cash and investments balance of \$147.5 million, \$83.0 million is externally restricted and \$55.3 million is internally allocated. The remaining \$8.7 million is unrestricted and provides a buffer against future unforeseen and unbudgeted expenditures.

The following table provides a breakdown of externally restricted funds on 30 June 2023.

<b>External Restriction</b>	<b>\$'000</b>
Developer Contributions	43,561
Unspent Borrowings - North Sydney Olympic Pool	17,757
Domestic Waste Management	11,098
Specific Purpose Unexpended Grants	7,970
Environment Levy	1,731
Infrastructure levy	126
Mainstreet Levies	374
Specific Purpose Unexpended Contributions	322
Waste and Sustainability Improvement funds	38
<b>Total</b>	<b>82,977</b>

The following table provides a breakdown of internally restricted funds on 30 June 2023.

<b>Internal Restriction</b>	<b>\$'000</b>
Capital Works Reserve	26,387
Deposits, retentions, and bonds	13,019
Employee Leave Entitlements Reserve	7,093
North Sydney Olympic Pool Redevelopment Reserve	3,004
Plant and Vehicle Replacement Reserve	2,712
Community Housing - Capital Purchases Reserve	963
Community Housing - Major Maintenance Reserve	491
Income Producing Projects Reserve	777
I.T. Reserve	856
<b>Total</b>	<b>55,302</b>

Of the \$55.3 million internally restricted, \$8.0 million was required to fund the completion of projects still in progress on 30 June 2023, \$13.0 million was deposits, retentions, and bonds that are likely to be refunded eventually and \$7.1 million represented the funding of 50% of the employee leave liability.

### **Asset Revaluations**

A comprehensive valuation of **Buildings** was completed by Australis Asset Advisory Group Pty Ltd, as of 31 March 2023. The valuation resulted in a gain of \$1.1m on the previous valuation, completed as at March 2018, recognised in the asset revaluation reserve. The movements for most properties were broadly consistent with the modest median market increases for the North Sydney LGA over this period. Notable exceptions were:



- five properties located in the Crows Nest area where the valuer's assessment of economic obsolescence based around proposed redevelopments of those sites resulted in a significant change to the estimated remaining life for those buildings; and
- Ward Street Car Park where the valuer's forecast of a substantial period of profit prior to redevelopment based on an assessment of net income resulted in a significant increase in fair value for that site.

A comprehensive valuation of the **Other Infrastructure** *asset class* was completed by iinSights Pty Ltd as at 30 June 2023. This class includes:

- retaining walls;
- fences;
- seawalls;
- marine structures, and
- lighting.

The valuation resulted in a gain of \$50.7 million, recognised in the Asset Revaluation Reserve.

There were significant increases in fair value (after excluding found assets) for the following categories:

- retaining walls 63%
- fences 32%
- seawalls 43%
- marine structures 28%

The fair value of the lighting category decreased 14%.

The drivers of these changes were a combination of updated condition data with the condition of assets generally assessed as being better than at the last comprehensive valuation due to both renewal and reinterpretation of the raw condition data, and the application of an updated model for remaining useful life.

During the asset inspection and cataloguing process, the contractor identified approximately 4km of previously unrecognised retaining walls with a total fair value of \$9.8m, and 9km of previously unrecognised fences with a total fair value of approximately \$3m. The nature of these assets, including their quantity and distribution throughout the North Sydney LGA, makes identification challenging. This gain was recognised in Accumulated Surplus as a prior period error.

A comprehensive valuation of **Community and Crown Land** was calculated by staff through applying the Valuer General's Valuation for Rating Purposes to relevant Council-controlled parcels as at 30 June 2023. This resulted in a \$7.1 million decrement to Community Land and a \$5.7 million decrement to Crown Land, both recognised in the Asset Revaluation Reserve.

During the reporting period, ownership of 1 Henry Lawson Drive McMahons Point (Lot 1 DP 915829) was transferred to Council from the Planning Ministerial Corporation. In accordance with AASB 116 paragraph Aus15.1, the property was initially recognised at its fair value, being the 2022 Valuer General valuation (\$4.1m).

In recent years there has been a pronounced change in construction costs across the government and infrastructure sectors.

As a result, Council determined that the carrying values of some **infrastructure and property** asset classes, valued on a cost basis, were no longer materially consistent with fair value. Interim valuations of these asset classes were completed to bring carrying values in line with fair value. The following classes met the threshold for reassessment and were indexed (increments) following the assessment with gains recognised in the Asset Revaluation Reserve:

- roads \$16.9 million;
- footpaths \$4.9 million;
- stormwater drainage \$13.5 million; and
- other Open Space/Recreational assets \$2.1 million.

A \$14.7 million decrement for Operational Land was recognised in the Asset Revaluation Reserve.

### **Community Housing**

In preparation for the introduction of AASB1059 Service Concession Arrangements: Grantors, for reporting periods beginning on or after 1 January 2020, Council reviewed the management arrangements and accounting treatment applied to its community housing properties and concluded that they did not meet the recognition criteria for a service concession asset.

Following discussion re the 287 Miller Street community housing project at the May 2023 meeting of the Audit, Risk and Improvement Committee, Council's external auditor and management agreed to reexamine this matter.

As a result of this review Council has now recognised several properties as service concession assets (buildings and land) and disclosed a prior period error, as the service concession arrangements existed prior to the beginning of the reporting period.

Council has determined the remaining properties should be accounted for under AASB 116 Property, Plant and Equipment. Council has now recognised relevant assets (buildings and land) in its balance sheet as at 30 June 2023 and disclosed a prior period error, as control existed prior to the beginning of the reporting period.

## Financial Performance Measures

Council bettered the industry benchmark for all six of the performance ratios included in the Code of Accounting Practice. The ratios are presented in the table on the next page.

Financial Performance Measure	Result	Benchmark
Operating Performance Ratio	1.33%	> 0%
Own Source Operating Revenue Ratio	78.90%	> 60%
Unrestricted Current Ratio	2.72x	> 1.5x
Debt Service Cover Ratio	8.11x	> 2x
Rates and Annual Charges Outstanding Percentage	2.77%	< 5%
Cash Expense Cover Ratio	14.28 months	> 3 months

While Council recorded a deficit of \$2.3 million before capital grants and contributions, it recorded an above-benchmark Operating Performance Ratio. The ratio is adjusted to exclude the non-cash items: decrement to Investment Properties of \$2.7 million and Net Loss on Disposal of Assets \$1.3 million. Excluding those items results in a modest operating surplus of \$1.7 million. This positive ratio demonstrates Council has maintained its operating expenditures within its income.

The Debt Service Cover Ratio exceeds the benchmark indicating Council retains the capacity to borrow for its capital works program if that becomes necessary through the FY2024 year.

## Infrastructure Management Measures

Infrastructure Management Measure	2022/23	2021/22	2020/21	Three-year average	Benchmark
Buildings and Infrastructure Renewals Ratio	86.79%	150.63%	98.35%	119.23%	> = 100%
Asset Maintenance Ratio	108.32%	88.69%	102.57%	99.86%	> = 100%
Infrastructure Backlog Ratio	3.10%	3.65%	3.89%	3.54%	< 2%
Cost to bring assets to agreed service level	2.19%	2.6%	2.58%	2.46%	N/A

The infrastructure renewal ratio is 86.79%. While this is below the annual benchmark, the three-year average of 119% exceeds the benchmark. The three-year average is used by the Office of Local Government to assess the KPI. This ratio indicates that Council is renewing its assets at a sustainable rate.

While the Infrastructure Backlog Ratio does not meet the benchmark it shows an improving trend compared to prior year comparatives (2022: 3.65% 2021: 3.89% 2020: 4.01%). Council's renewal efforts are gradually addressing the backlog (see Note F6 in the Statements).

## **Consultation requirements**

The draft Statements will be exhibited according to Section 418 of the Local Government Act NSW 1993 prior to finalised Statements being presented to Council at its meeting of 27 November 2023.

## **Financial/Resource Implications**

As of 30 June 2023, Council's financial position was sound with net assets of \$1.7 billion, including cash and investments of \$147.0 million. Available working capital was sufficient to comfortably manage Council's day-to-day operations and provide a buffer against unforeseen and unbudgeted expenditures after taking into consideration the nature and level of internally restricted reserves.

The unrestricted current ratio provides a measure of the adequacy of working capital and the degree to which unrestricted current assets can satisfy the organisation's short-term commitments. As of 30 June 2023, Council's unrestricted current ratio was 2.72:1, well above the industry benchmark of 1.5:1. This means that for every \$1 of current liabilities to be funded from unrestricted or internally restricted cash, \$2.71 of unrestricted or internally restricted cash was available.

However, the uncommitted balance of Council's internal reserves has declined in recent years due the impact of the pandemic and the need to fund the redevelopment of North Sydney Olympic Pool.

The Financial Sustainability ratios and available working funds viewed together with the adopted 2023/24 budget indicate Council can comfortably sustain operations over the coming year. Council has the capacity to borrow to fund its capital works program if that becomes necessary.

During the year, however, unexpectedly high expenses were funded by higher-than-expected parking related income and interest income. Council will need to address the increased level of depreciation and risk of higher-than-expected legal fees in its strategic documents.

It will be necessary to maintain strong fiscal management over the coming years to ensure that Council can meet unforeseen challenges such as unexpected changes in asset conditions resulting from severe weather events or shifts in demand for services.

## **Legislation**

Section 413 of the Local Government Act (NSW) 1993 says councils must prepare financial statements for the financial year and refer them to audit. Section 416 sets a deadline of four months to prepare, have audited and lodged (with the Office of Local Government) the statements. Section 418 provides that Council must fix a date for a meeting for the presentation of its final audited Statements and give public notice of at least seven days. The meeting must be no longer than five weeks after the auditor's reports are given to Council.

# North Sydney Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2023

---

*Shaping a progressive, diverse and vibrant North Sydney  
community.*



# North Sydney Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

---

*Shaping a progressive, diverse and vibrant North Sydney community.*



## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2023

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Primary Financial Statements:</b>	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
<b>Notes to the Financial Statements</b>	<b>9</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	67
On the Financial Statements (Sect 417 [3])	68

---

#### Overview

North Sydney Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

200 Miller Street  
North Sydney NSW 2060

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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 publicly available on our website: [www.northsydney.nsw.gov.au](http://www.northsydney.nsw.gov.au)

## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2023

---

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder;
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board; and
- 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; and
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 23 October 2023.**

---

Zoë Baker  
**Mayor**  
23 October 2023

---

Godfrey Santer  
**Councillor**  
23 October 2023

---

Therse Manns  
**General Manager**  
23 October 2023

---

Christian Menday  
**Responsible Accounting Officer**  
23 October 2023



## North Sydney Council

## Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Restated Actual 2022
<b>Income from continuing operations</b>				
72,409	Rates and annual charges	B2-1	72,253	71,112
29,592	User charges and fees	B2-2	33,443	26,923
9,087	Other revenues	B2-3	9,649	7,202
5,457	Grants and contributions provided for operating purposes	B2-4	6,535	6,398
8,024	Grants and contributions provided for capital purposes	B2-4	26,753	20,678
1,384	Interest and investment income		3,690	1,368
5,881	Other income	B2-6	5,421	8,032
<u>131,834</u>	<b>Total income from continuing operations</b>		<u>157,744</u>	<u>141,713</u>
<b>Expenses from continuing operations</b>				
49,083	Employee benefits and on-costs	B3-1	47,068	42,371
45,250	Materials and services	B3-2	49,555	43,811
1,533	Borrowing costs		1,583	559
23,937	Depreciation, amortisation and impairment of non-financial assets	B3-4	27,184	29,241
3,475	Other expenses	B3-5	6,628	2,709
547	Net loss from the disposal of assets		1,253	533
<u>123,825</u>	<b>Total expenses from continuing operations</b>		<u>133,271</u>	<u>119,224</u>
<u>8,009</u>	<b>Operating result from continuing operations</b>		<u>24,473</u>	<u>22,489</u>
<u>8,009</u>	<b>Net operating result for the year attributable to Council</b>		<u>24,473</u>	<u>22,489</u>
<u>(15)</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>(2,280)</u>	<u>1,811</u>

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

## North Sydney Council

## Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	Restated 2022
<b>Net operating result for the year – from Income Statement</b>		<b>24,473</b>	22,489
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	<b>56,493</b>	195,722
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>56,493</b>	195,722
<b>Total other comprehensive income for the year</b>		<b>56,493</b>	195,722
<b>Total comprehensive income for the year attributable to Council</b>		<b>80,966</b>	218,211

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

## North Sydney Council

## Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022	Restated 1 July 2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	24,150	54,571	25,184
Investments	C1-2	122,897	88,892	85,995
Receivables	C1-4	10,774	9,030	10,182
Inventories		69	40	37
Other		577	569	954
<b>Total current assets</b>		<b>158,467</b>	<b>153,102</b>	<b>122,352</b>
<b>Non-current assets</b>				
Receivables	C1-4	421	505	392
Infrastructure, property, plant and equipment (IPPE)	C1-5	1,535,112	1,456,015	1,246,670
Investment property	C1-6	56,047	57,687	54,786
Right of use assets	C2-1	1,576	1,839	2,102
Investments accounted for using the equity method		35	32	28
<b>Total non-current assets</b>		<b>1,593,191</b>	<b>1,516,078</b>	<b>1,303,978</b>
<b>Total assets</b>		<b>1,751,658</b>	<b>1,669,180</b>	<b>1,426,330</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	26,802	25,705	24,527
Contract liabilities	C3-2	11,680	8,850	13,897
Lease liabilities	C2-1	303	303	303
Borrowings	C3-3	2,005	1,927	881
Employee benefit provisions	C3-4	13,967	14,223	15,560
<b>Total current liabilities</b>		<b>54,757</b>	<b>51,008</b>	<b>55,168</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	1,367	1,617	1,860
Borrowings	C3-3	33,441	35,446	6,373
Employee benefit provisions	C3-4	236	218	249
<b>Total non-current liabilities</b>		<b>35,044</b>	<b>37,281</b>	<b>8,482</b>
<b>Total liabilities</b>		<b>89,801</b>	<b>88,289</b>	<b>63,650</b>
<b>Net assets</b>		<b>1,661,857</b>	<b>1,580,891</b>	<b>1,362,680</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	963,263	938,790	916,301
IPPE revaluation reserve	C4-1	698,594	642,101	446,379
<b>Council equity interest</b>		<b>1,661,857</b>	<b>1,580,891</b>	<b>1,362,680</b>
<b>Total equity</b>		<b>1,661,857</b>	<b>1,580,891</b>	<b>1,362,680</b>

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

## North Sydney Council

## Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Total equity Restated
<b>\$ '000</b>							
Opening balance at 1 July		938,790	642,101	1,580,891	827,825	446,379	1,274,204
Correction of prior period errors	F4-1	-	-	-	88,476	-	88,476
Net operating result for the year		24,473	-	24,473	23,470	-	23,470
Correction of prior period errors	F4-1	-	-	-	(981)	-	(981)
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	-	56,493	56,493	-	183,930	183,930
Correction of prior period errors	F4-1	-	-	-	-	11,792	11,792
<b>Other comprehensive income</b>		<b>-</b>	<b>56,493</b>	<b>56,493</b>	<b>-</b>	<b>195,722</b>	<b>195,722</b>
<b>Total comprehensive income</b>		<b>24,473</b>	<b>56,493</b>	<b>80,966</b>	<b>22,489</b>	<b>195,722</b>	<b>218,211</b>
<b>Closing balance at 30 June</b>		<b>963,263</b>	<b>698,594</b>	<b>1,661,857</b>	<b>938,790</b>	<b>642,101</b>	<b>1,580,891</b>

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

## North Sydney Council

## Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
72,418	Rates and annual charges		72,299	70,617
29,687	User charges and fees		35,411	27,439
1,696	Interest received		3,103	1,463
12,528	Grants and contributions		36,993	24,291
3,600	Bonds, deposits and retentions received		2,491	2,393
14,973	Other		20,387	19,640
<b>Payments:</b>				
(48,550)	Payments to employees		(45,939)	(43,679)
(46,171)	Payments for materials and services		(52,353)	(48,810)
(1,543)	Borrowing costs		(1,599)	(338)
(3,600)	Bonds, deposits and retentions refunded		(2,095)	(2,485)
(3,770)	Other		(9,606)	(6,317)
31,268	<b>Net cash flows from operating activities</b>	G1-1	<b>59,092</b>	<b>44,214</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
38,229	Sale of investments		-	3,250
-	Redemption of term deposits		98,500	40,000
-	Proceeds from sale of IPPE		899	1,043
<b>Payments:</b>				
-	Purchase of investments		-	(2,962)
-	Acquisition of term deposits		(132,500)	(43,250)
-	Purchase of investment property		(1,033)	(132)
(71,220)	Payments for IPPE		(53,202)	(42,652)
(32,991)	<b>Net cash flows from investing activities</b>		<b>(87,336)</b>	<b>(44,703)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
-	Proceeds from borrowings		-	31,000
<b>Payments:</b>				
(1,927)	Repayment of borrowings		(1,927)	(881)
(303)	Principal component of lease payments		(250)	(243)
(2,230)	<b>Net cash flows from financing activities</b>		<b>(2,177)</b>	<b>29,876</b>
(3,953)	<b>Net change in cash and cash equivalents</b>		<b>(30,421)</b>	<b>29,387</b>
5,183	Cash and cash equivalents at beginning of year		54,571	25,184
1,230	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>24,150</b>	<b>54,571</b>
60,248	plus: Investments on hand at end of year	C1-2	122,897	88,892
61,478	<b>Total cash, cash equivalents and investments</b>		<b>147,047</b>	<b>143,463</b>

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

## North Sydney Council

### Contents for the notes to the Financial Statements for the year ended 30 June 2023

<b>A About Council and these financial statements</b>	<b>11</b>
A1-1 Basis of preparation	11
<b>B Financial Performance</b>	<b>13</b>
<b>B1 Functions or activities</b>	<b>13</b>
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
<b>B2 Sources of income</b>	<b>15</b>
B2-1 Rates and annual charges	15
B2-2 User charges and fees	16
B2-3 Other revenues	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	21
B2-6 Other income	23
<b>B3 Costs of providing services</b>	<b>24</b>
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
<b>B4 Performance against budget</b>	<b>28</b>
B4-1 Material budget variations	28
<b>C Financial position</b>	<b>30</b>
<b>C1 Assets we manage</b>	<b>30</b>
C1-1 Cash and cash equivalents	30
C1-2 Financial investments	30
C1-3 Restricted and allocated cash, cash equivalents and investments	31
C1-4 Receivables	32
C1-5 Infrastructure, property, plant and equipment	34
C1-6 Investment properties	37
<b>C2 Leasing activities</b>	<b>38</b>
C2-1 Council as a lessee	38
C2-2 Council as a lessor	40
<b>C3 Liabilities of Council</b>	<b>42</b>
C3-1 Payables	42
C3-2 Contract Liabilities	43
C3-3 Borrowings	45
C3-4 Employee benefit provisions	47
<b>C4 Reserves</b>	<b>47</b>
C4-1 Nature and purpose of reserves	47
<b>D Risks and accounting uncertainties</b>	<b>48</b>
D1-1 Risks relating to financial instruments held	48
D2-1 Fair value measurement	51

## North Sydney Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2023

D3-1 Contingencies	53
<b>E People and relationships</b>	<b>56</b>
<b>E1 Related party disclosures</b>	<b>56</b>
E1-1 Key management personnel (KMP)	56
E1-2 Councillor and Mayoral fees and associated expenses	56
<b>E2 Other relationships</b>	<b>56</b>
E2-1 Audit fees	56
<b>F Other matters</b>	<b>57</b>
F1-1 Statement of Cash Flows information	57
F2-1 Commitments	58
F3-1 Events occurring after the reporting date	59
<b>F4 Changes from prior year statements</b>	<b>59</b>
F4-1 Correction of errors	59
<b>F5 Statement of developer contributions as at 30 June 2023</b>	<b>62</b>
F5-1 Summary of developer contributions	62
F5-2 Developer contributions by plan	63
<b>F6 Statement of performance measures</b>	<b>64</b>
F6-1 Statement of performance measures – consolidated results	64
<b>G Additional Council disclosures (unaudited)</b>	<b>65</b>
G1-1 Statement of performance measures – consolidated results (graphs)	65

## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

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

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

#### Significant judgements in applying the Council's accounting policies

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

#### Monies and other assets received by Council

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.

#### Goods and Services Tax (GST)

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

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

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



## A1-1 Basis of preparation (continued)

---

### **New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations (i.e. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements, it is considered unlikely that any of these standards will have a material impact on Council's future financial performance, financial position or cash flows.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Functions or activities</b>										
Our Living Environment	28,921	23,881	12,788	35,103	16,133	(11,222)	7,022	3,173	473,570	381,954
Our Built Infrastructure	42,649	44,273	48,703	31,466	(6,054)	12,807	18,970	20,303	644,973	655,713
Our Future Planning	24,382	14,264	36,335	14,615	(11,953)	(351)	214	194	224,066	233,789
Our Social Vitality	1,442	1,584	8,952	10,350	(7,510)	(8,766)	2,570	1,253	210,717	202,304
Our Civic Leadership	60,350	57,711	26,494	27,690	33,856	30,021	4,512	2,153	198,332	195,420
<b>Total functions and activities</b>	<b>157,744</b>	<b>141,713</b>	<b>133,272</b>	<b>119,224</b>	<b>24,472</b>	<b>22,489</b>	<b>33,288</b>	<b>27,076</b>	<b>1,751,658</b>	<b>1,669,180</b>

## B1-2 Components of functions or activities

---

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

### **Our Living Environment**

Encompasses but is not limited to bushland management, environmental sustainability, recreational facilities, tree preservation and community gardens.

### **Our Built Infrastructure**

Encompasses but is not limited to asset management, land use planning, development and design, heritage preservation, streetscapes, compliance and traffic and transport planning.

### **Our Future Planning**

Encompasses but is not limited to economic development, tourism and our commercial centres and shopping villages.

### **Our Social Vitality**

Encompasses but is not limited to community services, arts and culture, access and safety, housing, health and wellbeing, recreational planning and volunteering.

### **Our Civic Leadership**

Encompasses but is not limited to governance (i.e. how Council is managed).

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	30,889	30,462
Business	19,736	19,286
Less: pensioner rebates (mandatory)	(139)	(144)
Less: pensioner rebates (Council policy)	(113)	(118)
<b>Rates levied to ratepayers</b>	<b>50,373</b>	<b>49,486</b>
Pensioner rate subsidies received	139	144
<b>Total ordinary rates</b>	<b>50,512</b>	<b>49,630</b>
<b>Special rates</b>		
Infrastructure levy	2,257	2,213
Environmental levy	2,533	2,484
Main street levies	498	492
<b>Rates levied to ratepayers</b>	<b>5,288</b>	<b>5,189</b>
<b>Total special rates</b>	<b>5,288</b>	<b>5,189</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	15,856	15,693
Stormwater management services	576	577
Section 611 charges	52	56
Less: pensioner rebates (mandatory)	(39)	(41)
Less: pensioner rebates (Council policy)	(32)	(33)
<b>Annual charges levied</b>	<b>16,413</b>	<b>16,252</b>
Pensioner annual charges subsidies received:		
– Domestic waste management	40	41
<b>Total annual charges</b>	<b>16,453</b>	<b>16,293</b>
<b>Total rates and annual charges</b>	<b>72,253</b>	<b>71,112</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue when the 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.

## B2-2 User charges and fees

\$ '000	Timing	2023	2022
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>			
Domestic waste management services (additional)	2	1,180	1,195
<b>Total specific user charges</b>		<b>1,180</b>	<b>1,195</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>			
Planning and building regulation	2	4,204	3,571
Regulatory / statutory fees	2	6,896	6,108
Section 10.7 certificates (EP&A Act)	2	284	330
Section 603 certificates	2	176	212
<b>Total fees and charges – statutory/regulatory</b>		<b>11,560</b>	<b>10,221</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>			
Community centres / facilities	1	94	56
Domestic waste management – other	2	46	48
Family day care	2	212	234
Library	2	89	46
On street parking	2	9,601	7,032
Off street parking	1	6,993	4,439
Ovals	1	1,416	688
Planning and building regulation (non-statutory)	2	480	1,832
Public events	2	108	46
Reinstatements	2	1,439	898
Other	2	225	188
<b>Total fees and charges – other</b>		<b>20,703</b>	<b>15,507</b>
<b>Total other user charges and fees</b>		<b>32,263</b>	<b>25,728</b>
<b>Total user charges and fees</b>		<b>33,443</b>	<b>26,923</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		8,503	5,183
User charges and fees recognised at a point in time (2)		24,940	21,740
<b>Total user charges and fees</b>		<b>33,443</b>	<b>26,923</b>

**Accounting policy**

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 14 days of the provision of the service or in some cases such as parking meter fees, 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 permanent reserved parking spaces in parking stations, the fee is recognised on a straight-line basis over the expected life of the reservation.

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 over the term of the licence.

**B2-3 Other revenues**

<b>\$ '000</b>	<b>Timing</b>	<b>2023</b>	<b>2022</b>
Advertising on Council infrastructure	1	750	832
Community housing accumulated surplus (from Link Housing)	2	275	120
Fines – parking	2	7,655	5,183
Fines – environmental and compliance	2	60	153
Credit card payment surcharge	2	99	104
Legal fees recovered	2	319	166
New Years Eve event revenue	2	77	33
Other	2	414	611
<b>Total other revenue</b>		<b>9,649</b>	<b>7,202</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)	750	832
Other revenue recognised at a point in time (2)	8,899	6,370
<b>Total other revenue</b>	<b>9,649</b>	<b>7,202</b>

**Accounting policy for other revenue**

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	401	849	–	–
Financial assistance – local roads component	2	142	266	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	1,821	1,304	–	–
Financial assistance – local roads component	2	590	409	–	–
<b>Amount recognised as income during current year</b>		<b>2,954</b>	<b>2,828</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Community care	2	6	–	–	–
Community Care	1	637	757	–	–
Environment Programs	2	147	469	25	6
Environment programs	1	491	–	–	–
Recreation and culture	2	216	445	5,011	16,041
Recreation and culture	1	–	–	4,060	–
Town Planning	2	301	311	–	–
Town planning	1	140	–	–	–
Roads to Recovery	2	305	305	–	–
Transport for NSW contributions (regional roads, block grant)	2	712	703	–	–
Other roads and transport	2	241	406	2,411	2,863
Other roads and transport	1	217	–	–	–
Other	2	74	174	–	–
- Footpaths	2	94	–	–	–
Public domain improvements	2	–	–	387	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>3,581</b>	<b>3,570</b>	<b>11,894</b>	<b>18,910</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>3,581</b>	<b>3,570</b>	<b>11,894</b>	<b>18,910</b>
<b>Total grants and non-developer contributions</b>		<b>6,535</b>	<b>6,398</b>	<b>11,894</b>	<b>18,910</b>
<b>Comprising:</b>					
– Commonwealth funding		905	992	3,008	10,444
– State funding		5,045	4,822	8,444	8,362
– Other funding		585	584	442	104
		<b>6,535</b>	<b>6,398</b>	<b>11,894</b>	<b>18,910</b>

## B2-4 Grants and contributions (continued)

## Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	F5					
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	14,859	1,768
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>14,859</b>	<b>1,768</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>14,859</b>	<b>1,768</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>14,859</b>	<b>1,768</b>
<b>Total grants and contributions</b>			<b>6,535</b>	<b>6,398</b>	<b>26,753</b>	<b>20,678</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			<b>6,535</b>	6,398	<b>26,753</b>	20,678
<b>Total grants and contributions</b>			<b>6,535</b>	<b>6,398</b>	<b>26,753</b>	<b>20,678</b>



## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	626	312	5,621	10,214
<b>Add:</b> Funds received and not recognised as revenue in the current year	274	462	4,373	1,535
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(493)	(148)	(2,431)	(6,128)
<b>Unspent funds at 30 June</b>	<b>407</b>	<b>626</b>	<b>7,563</b>	<b>5,621</b>

The majority of unspent grant funding at 30 June 2023 was received for the following project which have not been completed

### Contributions

Unspent funds at 1 July	120	171	31,805	32,333
<b>Add:</b> contributions received and not recognised as revenue in the current year	144	120	17,173	1,854
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(120)	(171)	(3,584)	(2,382)
<b>Unspent contributions at 30 June</b>	<b>144</b>	<b>120</b>	<b>45,394</b>	<b>31,805</b>

As at 30 June 2023, Council held \$45.4 million of unspent developer contributions levied under S7.11 or S7.4 of the Environmental Planning & Assessment Act, 1979. These funds will be utilised in future years to assist in the cost of providing local public infrastructure and facilities required as a consequence of development.

## B2-4 Grants and contributions (continued)

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include funds received from the NSW Department of Planning, Industry & Environment to implement the Faster Regionally Significant Development Applications Pilot Program, Transport for NSW to deliver projects aimed at the promotion of road safety and Sydney Metro/Transport for NSW to fund two additional staff to undertake strategic and support functions arising from the Sydney Metro project. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

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

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

#### Other grants and contributions

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

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

## B2-5 Interest and investment income

\$ '000	2023	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	116	113
– Cash and investments	2,927	1,173
– Developer contributions	647	82
<b>Total interest and investment income (losses)</b>	<b>3,690</b>	<b>1,368</b>

#### Interest and investment income is attributable to:

continued on next page ...

Page 21 of 68

**B2-5 Interest and investment income (continued)**

<b>\$ '000</b>	<b>2023</b>	2022
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	<b>3,690</b>	1,368
<b>Total interest and investment income</b>	<b>3,690</b>	1,368

**Accounting policy**

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.

## B2-6 Other income

\$ '000	Notes	2023	2022
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		–	2,769
<b>Total fair value increment on investment properties</b>	C1-6	<b>–</b>	<b>2,769</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		4,400	4,243
<b>Total Investment properties</b>		<b>4,400</b>	<b>4,243</b>
<b>Other lease income</b>			
Room/Facility Hire		732	713
Leaseback fees - council vehicles		281	303
<b>Total other lease income</b>		<b>1,013</b>	<b>1,016</b>
<b>Total rental income</b>	C2-2	<b>5,413</b>	<b>5,259</b>
<b>Fair value increment on investments</b>			
Fair value increment on investments through profit and loss		5	–
<b>Total Fair value increment on investments</b>		<b>5</b>	<b>–</b>
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		3	4
<b>Total net share of interests in joint ventures and associates using the equity method</b>		<b>3</b>	<b>4</b>
<b>Total other income</b>		<b>5,421</b>	<b>8,032</b>

**B3 Costs of providing services****B3-1 Employee benefits and on-costs**

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Salaries and wages	<b>36,336</b>	33,448
Employee leave entitlements (ELE)	<b>5,835</b>	4,475
Superannuation – defined contribution plans	<b>3,578</b>	3,400
Superannuation – defined benefit plan	<b>445</b>	590
Workers' compensation insurance	<b>1,086</b>	821
Fringe benefit tax (FBT)	<b>230</b>	220
Gratuities	<b>216</b>	270
Other	<b>158</b>	91
Recruitment cost	<b>208</b>	108
<b>Total employee costs</b>	<b>48,092</b>	<b>43,423</b>
Less: capitalised costs	<b>(1,024)</b>	(1,052)
<b>Total employee costs expended</b>	<b>47,068</b>	<b>42,371</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>367</b>	365

**Accounting policy**

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 the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme. However, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

### B3-2 Materials and services

\$ '000	Notes	2023	2022
<b>Audit Fees</b>	E2-1	<b>86</b>	83
<b>Consultancy</b>		<b>1,111</b>	1,163
<b>Contractor costs:</b>			
– Agency staff		<b>1,844</b>	1,267
– Cash collection		<b>230</b>	246
– Cleaning of Council properties		<b>349</b>	384
– Computer hardware and software maintenance		<b>1,741</b>	1,716
– Mowing		<b>965</b>	907
– Infrastructure maintenance		<b>4,409</b>	3,881
– Parking meter maintenance		<b>1,004</b>	914
– Parks, gardens and tree maintenance		<b>1,955</b>	1,680
– Property maintenance and management		<b>4,073</b>	2,915
– Public events		<b>774</b>	873
– Waste and recycling collection		<b>8,166</b>	7,368
– Waste and recycling disposal		<b>4,234</b>	4,196
– Other contractor costs		<b>2,417</b>	2,458
<b>Infringement notice contract costs (SEINS)</b>		<b>1,202</b>	668
<b>Raw materials and consumables</b>		<b>4,812</b>	3,980
<b>Service costs (previously other expenses):</b>			
– Bank charges		<b>526</b>	437
– Councillor and Mayoral fees and associated expenses	E1-2	<b>454</b>	369
– Election expenses		<b>7</b>	483
– Electricity and heating		<b>585</b>	535
– Insurance		<b>2,394</b>	2,300
– Postage		<b>320</b>	304
– Staff training		<b>300</b>	284
– Staff travel expenses		<b>222</b>	263
– Street lighting		<b>727</b>	652
– Telephone and communications		<b>342</b>	399
– Other service costs		<b>698</b>	660
<b>Legal expenses:</b>			
– Legal expenses: planning and development		<b>3,411</b>	2,248
– Legal expenses: debt recovery		<b>95</b>	31
– Legal expenses: other		<b>47</b>	147
<b>Total materials and services</b>		<b>49,555</b>	43,811
<b>Total materials and services</b>		<b>49,555</b>	43,811

#### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	2023	2022
<b>(i) Interest bearing liability costs</b>		
Interest on leases	<b>53</b>	60
Interest on loans	<b>1,530</b>	499
<b>Total interest bearing liability costs</b>	<b>1,583</b>	559
<b>Total borrowing costs expensed</b>	<b>1,583</b>	559

#### Accounting policy

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

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

<b>\$ '000</b>	<b>2023</b>	2022 Restated
<b>Depreciation and amortisation</b>		
Furniture and fittings	459	473
Office equipment	905	933
Land improvements (depreciable)	480	340
Plant and equipment	1,843	2,009
<b>Infrastructure:</b>		
– Buildings – specialised	3,417	2,777
– Buildings – non-specialised	916	786
– Footpaths	3,703	3,395
– Other structures	13	13
– Roads	6,578	6,116
– Stormwater drainage	2,236	1,981
– Swimming pools	75	75
– Other open space / recreational assets	1,496	1,369
– Other infrastructure	4,350	3,783
Right of use assets	263	263
<b>Other assets:</b>		
– Heritage collections	118	117
– Library books	332	342
<b>Total depreciation and amortisation costs</b>	<b>27,184</b>	<b>24,772</b>
<b>Impairment / revaluation decrement of IPPE</b>		
Land improvements (depreciable)	–	4,469
<b>Total gross IPPE impairment / revaluation decrement costs</b>	<b>–</b>	<b>4,469</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&amp;E</b>	<b>27,184</b>	<b>29,241</b>

**Accounting policy****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-5 for IPPE assets.

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

**Impairment of non-financial assets**

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

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

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

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

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

## B3-5 Other expenses

\$ '000	Notes	2023	2022
<b>Impairment of receivables</b>			
User charges and fees		103	78
Rental income		–	(256)
<b>Total impairment of receivables</b>	C1-4	<b>103</b>	<b>(178)</b>
<b>Fair value decrement on investment properties</b>			
Fair value decrement on investment properties		2,673	–
<b>Total fair value decrement on investment properties</b>	C1-6	<b>2,673</b>	<b>–</b>
<b>Fair value decrement on investments</b>			
Fair value decrement on investments through profit and loss		–	65
<b>Total Fair value decrement on investments</b>	C1-2	<b>–</b>	<b>65</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Department of planning levy		290	285
– Emergency services levy (includes FRNSW and SES levies)		1,832	1,081
– Land tax		1	–
– Parking Space Levy		626	472
Donations, contributions and assistance to other organisations		1,103	984
<b>Total other</b>		<b>3,852</b>	<b>2,822</b>
<b>Total other expenses</b>		<b>6,628</b>	<b>2,709</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.



## B4 Performance against budget

### B4-1 Material budget variations

Council's original budget was adopted by the Council on 27 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	72,409	72,253	(156)	0% <b>U</b>
<b>User charges and fees</b>	29,592	33,443	3,851	13% <b>F</b>
User fees and charges were higher than expected due to increased volumes in key income streams such as parking stations +\$2.6 million, development application fees +\$525 thousand and parking meter fees +\$413 thousand. Many user fees remain well below levels that occurred before Covid related changes. Parking meter fees in 18/19, for example, were \$10.5 million (adjusted for inflation and expressed in 22/23 dollars) while they are \$9.6 million in 2022/23.				
<b>Other revenues</b>	9,087	9,649	562	6% <b>F</b>
<b>Operating grants and contributions</b>	5,457	6,535	1,078	20% <b>F</b>
The Commonwealth Government continues to pay the Financial Assistance Grant in advance. Advanced payments of the 2023/24 Grant resulted in a \$767 thousand positive variance. Completion of project milestones resulted in the realisation of an additional \$196 thousand.				
<b>Capital grants and contributions</b>	8,024	26,753	18,729	233% <b>F</b>
Developer Contributions exceeded Original Budget by \$13 million due in large part to large contribution associated with the commencement of building at 2-4 Blue Street/1-5 William Street. Land worth \$4.06 million was contributed for the park at 1 Henry Lawson Ave				
<b>Interest and investment revenue</b>	1,384	3,690	2,306	167% <b>F</b>
Interest received was higher than expected because of higher than expected cash and investment balances and increases in interest rates not foreseen when the budget was prepared. Cash and investment balances remain high due to delays in capital works projects (including the North Sydney Olympic Pool redevelopment).				
<b>Other income</b>	5,881	5,421	(460)	(8)% <b>U</b>
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	49,083	47,068	2,015	4% <b>F</b>
<b>Materials and services</b>	45,250	49,555	(4,305)	(10)% <b>U</b>
Legal fees were over original budget by \$2.0 million due to Council contesting large development related matters (including the successful MLC heritage matter). Contract employment was over budget by \$1.4 million as staff vacancies were back-filled. These partially offset Employee Benefits savings of \$2.0 million. Expenditure on domestic waste contractors by \$500 thousand over budget				
<b>Borrowing costs</b>	1,533	1,583	(50)	(3)% <b>U</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	23,937	27,184	(3,247)	(14)% <b>U</b>
Construction cost inflation in recent years is contributing to higher asset values and hence depreciation.				

**B4-1 Material budget variations (continued)**

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Other expenses</b>	3,475	6,628	(3,153)	(91)% <b>U</b>
There was an unbudgeted decrement on revaluation of Investment Properties of \$2.7 million. The Emergency Services Levy was \$320 thousand more than expected.				
<b>Net losses from disposal of assets</b>	547	1,253	(706)	(129)% <b>U</b>
The value of disposed as a result of renewed activity was higher than forecast including \$676 thousand more for infrastructure assets and \$285 thousand more for motor vehicle disposals (more new cars were delivered as delivery delays from previous years were addressed).				

**Statement of cash flows**

<b>Cash flows from operating activities</b>	31,268	59,092	27,824	89% <b>F</b>
Capital Grants and Contributions were above budget by \$24.5 million.				
<b>Cash flows from investing activities</b>	(32,991)	(87,336)	(54,345)	165% <b>U</b>
The most relevant variance contained in this item is that outflows from capital expenditure were \$18.0 million dollars less than budget (\$53.2 million v versus \$71.2 million).				

The overall negative variance seen for this line is due to Council placing more term deposits than it redeemed.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	459	1,518
Cash equivalent assets		
– Deposits at call	12,691	33,053
– Short-term deposits	11,000	20,000
<b>Total cash and cash equivalents</b>	<b>24,150</b>	<b>54,571</b>

#### Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand, deposits held at call with financial institutions and 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.

#### C1-2 Financial investments

\$ '000	2023	2022
<b>Financial assets at fair value through the profit and loss</b>		
NCD's, FRN's (with maturities > 3 months)	11,647	11,642
<b>Total</b>	<b>11,647</b>	<b>11,642</b>
<b>Debt securities at amortised cost</b>		
Long term deposits	111,250	77,250
<b>Total</b>	<b>111,250</b>	<b>77,250</b>
<b>Total financial investments</b>	<b>122,897</b>	<b>88,892</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>147,047</b>	<b>143,463</b>

#### Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

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

#### Classification

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

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

## C1-2 Financial investments (continued)

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

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

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

### Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of FRNs and NCDs in the Statement of Financial Position.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>147,047</b>	143,463
Less: Externally restricted cash, cash equivalents and investments	<u>(82,977)</u>	<u>(81,297)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>64,070</b>	62,166
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>7,970</u>	<u>6,247</u>
<b>External restrictions – included in liabilities</b>	<b>7,970</b>	6,247
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	43,561	31,802
Infrastructure levy	126	–
Domestic waste management	11,098	10,081
Environment levy	1,731	1,546
Mainstreet levies	374	403
Stormwater management	–	2
Unspent borrowings - North Sydney Olympic Pool redevelopment	17,757	31,000
Waste and sustainability improvement funds	38	93
Other specific purpose contributions	<u>322</u>	<u>123</u>
<b>External restrictions – other</b>	<b>75,007</b>	75,050
<b>Total external restrictions</b>	<b>82,977</b>	81,297

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

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

\$ '000	2023	2022
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>64,070</b>	62,166
Less: Internally restricted cash, cash equivalents and investments	<u>(55,302)</u>	<u>(53,326)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>8,768</b>	8,840

**Internal allocations**

At 30 June, Council has internally allocated funds to the following:

Capital works	26,387	25,395
Community housing – capital purchases	963	963
Community housing – major maintenance	491	248
Deposits, retentions and bonds	13,019	12,623
Employees leave entitlement	7,093	7,220
I.T. hardware and software	856	643
Income producing projects	777	757
Insurance	–	80
Olympic Pool Redevelopment	3,004	3,004
Plant and vehicle replacement	<u>2,712</u>	<u>2,393</u>
<b>Total internal allocations</b>	<b>55,302</b>	53,326

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

**(c) Unrestricted and unallocated**

<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>8,768</b>	8,840
--	--------------	-------

**C1-4 Receivables**

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	1,541	286	1,607	378
Interest and extra charges	124	115	54	107
User charges and fees	1,346	–	2,012	–
Accrued revenues				
– Interest on investments	1,125	–	616	–
– Other income accruals	2,771	–	1,230	–
Government grants and subsidies	2,134	–	2,054	–
Net GST receivable	1,145	–	1,251	–
Outstanding infringements	1,328	–	882	–
Other debtors	13	20	12	20
<b>Total</b>	<b>11,527</b>	<b>421</b>	<b>9,718</b>	<b>505</b>
<b>Less: provision for impairment</b>				
User charges and fees	(753)	–	(688)	–
<b>Total provision for impairment – receivables</b>	<b>(753)</b>	<b>–</b>	<b>(688)</b>	<b>–</b>
<b>Total net receivables</b>	<b>10,774</b>	<b>421</b>	<b>9,030</b>	<b>505</b>

## C1-4 Receivables (continued)

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 9)	688	873
+ new provisions recognised during the year	103	84
– amounts provided for but recovered during the year	<u>(38)</u>	<u>(269)</u>
<b>Balance at the end of the year</b>	<b><u>753</u></b>	<b><u>688</u></b>

**Accounting policy**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 14 days.

**Impairment**

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

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

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

The Council uses the 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 is held); or
- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

The 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.

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Infrastructure, property, plant and equipment

By aggregated asset class <sup>2</sup>	At 1 July 2022			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	37,772	–	37,772	19,982	1,008	–	–	(8,520)	–	–	–	50,242	–	50,242
Plant and equipment	18,619	(12,977)	5,642	2,067	–	(374)	(1,843)	–	–	–	–	18,883	(13,391)	5,492
Office equipment	21,255	(19,278)	1,977	469	149	(1)	(905)	4	–	–	–	21,669	(19,976)	1,693
Furniture and fittings	8,983	(7,252)	1,731	66	–	–	(459)	–	–	–	–	9,048	(7,710)	1,338
<b>Land:</b>														
– Operational land	322,025	–	322,025	–	–	–	–	–	–	(18,495)	–	303,530	–	303,530
– Community land	124,792	–	124,792	–	4,060	–	–	–	–	(7,129)	–	121,723	–	121,723
– Crown land	61,878	–	61,878	–	–	–	–	–	–	(5,659)	–	56,219	–	56,219
Land improvements – depreciable	8,408	(3,949)	4,459	640	167	–	(480)	723	–	–	–	9,938	(4,429)	5,509
<b>Infrastructure:</b>														
– Buildings – non-specialised	35,086	(1,353)	33,733	–	17	–	(916)	–	–	(1,030)	–	33,889	(2,085)	31,804
– Buildings – specialised	242,671	(95,154)	147,517	1,830	85	–	(3,417)	400	(850)	–	750	242,011	(95,696)	146,315
– Other structures	1,146	(148)	998	–	–	–	(13)	–	–	–	–	1,147	(162)	985
– Roads	399,135	(120,889)	278,246	6,371	1,057	(1,135)	(6,578)	235	–	–	16,886	427,846	(132,764)	295,082
– Footpaths	135,535	(47,947)	87,588	3,581	478	(642)	(3,703)	938	–	–	4,908	146,752	(53,604)	93,148
– Stormwater drainage	233,297	(68,252)	165,045	3,513	150	–	(2,236)	456	–	–	13,488	256,600	(76,184)	180,416
– Swimming pools	7,547	(4,466)	3,081	–	–	–	(75)	–	–	–	–	7,548	(4,542)	3,006
– Other open space / recreational assets	31,007	(11,819)	19,188	1,302	317	–	(1,496)	3,488	–	–	2,078	39,406	(14,529)	24,877
– Other infrastructure	287,499	(136,244)	151,255	3,410	1,435	–	(4,350)	2,049	–	–	50,696	299,972	(95,477)	204,495
<b>Other assets:</b>														
– Heritage collections	13,797	(5,579)	8,218	8	11	–	(118)	227	–	–	–	14,043	(5,697)	8,346
– Library books	2,044	(1,174)	870	354	–	–	(332)	–	–	–	–	2,013	(1,121)	892
<b>Total infrastructure, property, plant and equipment</b>	<b>1,992,496</b>	<b>(536,481)</b>	<b>1,456,015</b>	<b>43,593</b>	<b>8,934</b>	<b>(2,152)</b>	<b>(26,921)</b>	<b>–</b>	<b>(850)</b>	<b>(32,313)</b>	<b>88,806</b>	<b>2,062,479</b>	<b>(527,367)</b>	<b>1,535,112</b>

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

(2) Net carrying amount as at 30 June 2023 includes service concession assets of, operational land \$38.1m and buildings non-specialised \$11m

## C1-5 Infrastructure, property, plant and equipment (continued)

By aggregated asset class <sup>2</sup>	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	17,186	–	17,186	16,996	5,141	–	–	–	(1,551)	–	–	37,772	–	37,772
Plant and equipment	18,262	(12,336)	5,926	2,028	6	(309)	(2,009)	–	–	–	–	18,619	(12,977)	5,642
Office equipment	20,731	(18,350)	2,381	328	30	–	(933)	–	171	–	–	21,255	(19,278)	1,977
Furniture and fittings	8,872	(6,779)	2,093	111	–	–	(473)	–	–	–	–	8,983	(7,252)	1,731
<b>Land:</b>														
– Operational land	237,468	–	237,468	–	–	–	–	–	–	–	84,557	322,025	–	322,025
– Community land	110,324	–	110,324	–	2,070	–	–	–	234	–	12,164	124,792	–	124,792
– Crown land	55,847	–	55,847	–	–	–	–	–	–	–	6,031	61,878	–	61,878
Land improvements – depreciable	15,506	(3,783)	11,723	24	–	–	(340)	(4,469)	–	(2,479)	–	8,408	(3,949)	4,459
<b>Infrastructure:</b>														
– Buildings – non-specialised	30,474	(488)	29,986	46	–	–	(786)	–	–	–	4,487	35,086	(1,353)	33,733
– Buildings – specialised	209,468	(79,614)	129,854	450	188	–	(2,777)	–	16	–	19,786	242,671	(95,154)	147,517
– Other structures	1,146	(135)	1,011	–	–	–	(13)	–	–	–	–	1,146	(148)	998
– Roads	357,397	(104,978)	252,419	4,415	2,045	(848)	(6,116)	–	394	–	25,937	399,135	(120,889)	278,246
– Footpaths	123,241	(41,397)	81,844	2,478	84	(419)	(3,395)	–	97	–	6,899	135,535	(47,947)	87,588
– Stormwater drainage	204,553	(58,580)	145,973	2,252	48	–	(1,981)	–	177	–	18,576	233,297	(68,252)	165,045
– Swimming pools	7,547	(4,391)	3,156	–	–	–	(75)	–	–	–	–	7,547	(4,466)	3,081
– Other open space/recreational assets	27,610	(9,517)	18,093	393	324	–	(1,369)	–	231	–	1,516	31,007	(11,819)	19,188
– Other infrastructure	248,191	(116,023)	132,168	3,543	848	–	(3,783)	–	231	–	18,248	287,499	(136,244)	151,255
<b>Other assets:</b>														
– Heritage collections	13,775	(5,462)	8,313	9	13	–	(117)	–	–	–	–	13,797	(5,579)	8,218
– Library books	2,143	(1,238)	905	307	–	–	(342)	–	–	–	–	2,044	(1,174)	870
<b>Total infrastructure, property, plant and equipment</b>	<b>1,709,741</b>	<b>(463,071)</b>	<b>1,246,670</b>	<b>33,380</b>	<b>10,797</b>	<b>(1,576)</b>	<b>(24,509)</b>	<b>(4,469)</b>	<b>–</b>	<b>(2,479)</b>	<b>198,201</b>	<b>1,992,496</b>	<b>(536,481)</b>	<b>1,456,015</b>

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

(2) Net carrying amount as at 30 June 2022 includes service concession assets of, operational land \$38.1m and buildings non-specialised \$11m



## C1-5 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

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

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

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.

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. Council applies a brownfield approach to infrastructure revaluations.

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

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

<b>Plant and equipment</b>	Years	<b>Buildings</b>	Years
Office equipment	3 to 10	Buildings	25 to 200
Computer equipment	3 to 8	Building components	
Furniture	5 to 10	Substructure	10 to 250
Vehicles	5	Superstructure	10 to 250
Other plant and equipment	5 to 10	Roof cladding	22 to 60
		Finishes	8 to 30
<b>Transportation assets</b>	Years	Fittings	10 to 30
Sealed roads: surface	18 to 40	Mechanical services	16 to 40
Sealed roads: structure	60 to 100	Other services	10 to 60
Sealed roads: formation	200		
Kerb and gutter	34 to 67	<b>Other sport and recreation assets</b>	Years
Footpaths	10 to 60	Playgrounds	15
Traffic facilities	70	Sports lighting	55
Street furniture	15 to 90	Park furniture	15 to 100
Bus shelters	50	Sport and fitness	5 to 55
		Swimming pools	20 to 200
<b>Stormwater drainage assets</b>	Years	<b>Depreciable land improvements</b>	Years
Drainage pipes	70 to 100	Depreciable land improvements	5 to 100
Drainage pits	80		
Culverts	70 to 100	<b>Other</b>	Years
Gross pollutant traps	40 to 50	Other Structures	25 to 50
		Library collection	5
<b>Other infrastructure</b>	Years	Heritage collection	10 to 100
Lighting	20 to 35		
Seawalls	80 to 120		
Marine structures	50 to 100		
Fences	35 to 80		
Retaining walls	90		

## C1-5 Infrastructure, property, plant and equipment (continued)

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

### Land under roads

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

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

### Crown reserves

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

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

## C1-6 Investment properties

### Owned investment property

\$ '000	2023	2022
<b>At fair value</b>		
Opening balance at 1 July	57,687	54,786
Capitalised subsequent expenditure	183	132
Net gain/(loss) from fair value adjustments	(2,673)	2,769
Transfers from/(to) owner-occupied property (Note C1-5)	850	–
<b>Closing balance at 30 June</b>	<b>56,047</b>	<b>57,687</b>

### Accounting policy

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

## C2 Leasing activities

### C2-1 Council as a lessee

Council does not have any material lease contracts over land and buildings, machinery or IT equipment.

#### Waste and recycling collection contract

On 1 July 2019, Council entered into a seven (7) year contract with URM Environmental Services Pty Ltd to provide the waste and recycling collection service.

Embedded within the contract is the lease of eight (8) garbage collection trucks dedicated specifically to the service. Under the terms of the contract, Council has the right to obtain substantially all of the economic benefits from these vehicles for the duration of the contract. This results in a right of use asset for Council. Information relating to the right of use asset and associated balances and transactions is provided below.

#### Extension options

The waste and recycling collection contract contains an option to extend by a further three (3) years to provide a degree of flexibility and certainty to Council's operations. The extension is at Council's discretion.

At reporting date, Council assesses if it is reasonably certain that the extension option will be exercised. At 30 June 2023, it is considered reasonably certain that the option will be exercised and the information below has been prepared on that assumption.

#### (a) Right of use assets

\$ '000	Waste Disposal Contract	Total
<b>2023</b>		
Opening balance at 1 July	1,839	1,839
Depreciation charge	(263)	(263)
<b>Balance at 30 June</b>	<b>1,576</b>	<b>1,576</b>
<b>2022</b>		
Opening balance at 1 July	2,102	2,102
Depreciation charge	(263)	(263)
<b>Balance at 30 June</b>	<b>1,839</b>	<b>1,839</b>

#### (b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	303	1,367	303	1,617
<b>Total lease liabilities</b>	<b>303</b>	<b>1,367</b>	<b>303</b>	<b>1,617</b>

## C2-1 Council as a lessee (continued)

### (c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2023</b>					
Cash flows	303	1,211	303	1,817	1,670
<b>2022</b>					
Cash flows	303	1,211	606	2,120	1,920

### (d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	53	60
Depreciation of right of use assets	263	263
	<b>316</b>	<b>323</b>

### (e) Statement of Cash Flows

Total cash outflow for leases (principal and interest)	303	303
	<b>303</b>	<b>303</b>

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

Council has a number of leases at significantly below market for land which is used for:

- land beautification
- dinghy storage
- boat ramps and jetties

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$5,000 per year. 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

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

Council has estimated the standalone price of the right of use asset obtained from the waste collection contract. In making this estimate Council has maximised the use of observable information

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

## C2-1 Council as a lessee (continued)

asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

### **Exceptions to lease accounting**

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

### **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.

## C2-2 Council as a lessor

### Operating leases

Council leases out a number of properties to commercial tenants and community groups as well as vehicles to Council employees. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer Note C1-9) and IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2023	2022
---------	------	------

#### **(i) Assets held as investment property**

Investment property operating leases relate to properties leased to commercial tenants.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	4,400	4,243
<b>Total income relating to operating leases for investment property assets</b>	<b>4,400</b>	<b>4,243</b>

#### **Operating lease expenses**

Direct operating expenses that generated rental income	1,622	1,012
<b>Total expenses relating to operating leases</b>	<b>1,622</b>	<b>1,012</b>

#### **(ii) Assets held as property, plant and equipment**

PPE operating leases relate to vehicles leased to eligible employees and facilities leased to community groups.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,013	1,016
<b>Total income relating to operating leases for Council assets</b>	<b>1,013</b>	<b>1,016</b>

## C2-2 Council as a lessor (continued)

## Reconciliation of IPPE assets leased out as operating leases

\$ '000	Plant & Equipment 2023	Plant & Equipment 2022
<b>Opening balance as at 1 July</b>	<b>1,538</b>	1,426
Additions renewals	928	943
Carrying value of disposals	(268)	(290)
Depreciation expense	(545)	(541)
<b>Closing balance as at 30 June</b>	<b>1,653</b>	1,538
<b>\$ '000</b>	<b>2023</b>	2022

## (iii) Maturity analysis of contractual lease income

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

< 1 year	5,100	4,312
1–2 years	4,076	3,097
2–3 years	3,259	2,325
3–4 years	2,136	1,861
4–5 years	1,738	1,222
> 5 years	9,468	8,288
<b>Total undiscounted lease payments to be received</b>	<b>25,777</b>	21,105

## Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

During 2021/22 some of Council's rental property tenants were granted rent concessions related to Covid-19. Council has treated these concessions as a lease modification. Lease income from these leases, including the rent concessions related to Covid-19, will be recognised on a straight-line basis over the remaining term of the lease.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2023		2022	2022
	Current	Non-current	Current	Non-current
Prepaid rates	584	–	696	–
Goods and services	8,329	–	7,562	–
Accrued expenses:				
– Borrowings	254	–	270	–
– Salaries and wages	2,792	–	1,300	–
– Other expenditure accruals	913	–	2,751	–
Security bonds, deposits and retentions	13,019	–	12,623	–
Other	911	–	503	–
<b>Total payables</b>	<b>26,802</b>	<b>–</b>	<b>25,705</b>	<b>–</b>

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	8,882	8,618
<b>Total payables</b>	<b>8,882</b>	<b>8,618</b>

#### Accounting policy

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 the Council comprise trade payables, bank and other loans.

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets) <sup>i</sup>	(i)	7,562	-	5,621	-
Unexpended operating grants (received prior to performance obligation being satisfied) <sup>ii</sup>	(ii)	407	-	626	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	1,833	-	3	-
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	144	-	120	-
<b>Total grants received in advance</b>		<b>9,946</b>	<b>-</b>	<b>6,370</b>	<b>-</b>
<b>User fees and charges received in advance:</b>					
DA Compliance Levy <sup>iii</sup>	(iii)	662	-	662	-
Hoarding Permit fees	(iii)	10	-	649	-
Outdoor Dining fees	(iii)	62	-	197	-
Work Zone Permit fees	(iii)	749	-	748	-
Rental income - investment properties	(iii)	229	-	180	-
Rental income - other	(iii)	22	-	44	-
<b>Total user fees and charges received in advance</b>		<b>1,734</b>	<b>-</b>	<b>2,480</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>11,680</b>	<b>-</b>	<b>8,850</b>	<b>-</b>

(i) Council has received grants from both the Commonwealth and State Governments to fund a number of infrastructure upgrade or renewal projects. The funds received are under an enforceable contract which require Council to construct identified assets 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 and contributions received prior to the revenue recognition criteria in AASB 15 being satisfied as the performance obligations are ongoing.

(iii) The contract liability relates to user charges and fees received in advance prior to the revenue recognition criteria in AASB 15 being satisfied as the performance obligations are ongoing.

**Contract liabilities relating to restricted assets****Externally restricted assets**

Unspent grants held as contract liabilities	7,970	-	6,247	-
Unspent contributions held as contract liabilities	-	-	123	-
<b>Contract liabilities relating to externally restricted assets</b>	<b>7,970</b>	<b>-</b>	<b>6,370</b>	<b>-</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>7,970</b>	<b>-</b>	<b>6,370</b>	<b>-</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>3,710</b>	<b>-</b>	<b>2,480</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>11,680</b>	<b>-</b>	<b>8,850</b>	<b>-</b>



## C3-2 Contract Liabilities (continued)

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

\$ '000	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	2,431	6,128
Operating grants (received prior to performance obligation being satisfied)	493	148
Operating contributions (received prior to performance obligation being satisfied)	120	171
<b>User fees and charges received in advance:</b>		
DA Compliance Levy	-	874
Hoarding Permit fees	534	534
Outdoor Dining fees	62	56
Swimming Centre fees	-	-
Work Zone Permit fees	591	968
Rental income - investment properties	229	171
Rental income - other	-	22
Other	-	-
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>4,460</b>	<b>9,072</b>

**Accounting policy**

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

### C3-3 Borrowings

\$ '000	2023		2022	2022
	Current	Non-current	Current	Non-current
Loans – secured <sup>1,2</sup>	2,005	33,441	1,927	35,446
<b>Total borrowings</b>	<b>2,005</b>	<b>33,441</b>	<b>1,927</b>	<b>35,446</b>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note D1-1.

(2) During the current and prior year there were no defaults or breaches of any of the loans.

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

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	37,373	(1,927)	–	–	–	–	35,446
Lease liability (Note C2-1b)	1,920	(250)	–	–	–	–	1,670
<b>Total liabilities from financing activities</b>	<b>39,293</b>	<b>(2,177)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37,116</b>

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	7,254	30,119	–	–	–	–	37,373
Lease liability (Note C2-1b)	2,163	(243)	–	–	–	–	1,920
<b>Total liabilities from financing activities</b>	<b>9,417</b>	<b>29,876</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>39,293</b>

#### (b) Financing arrangements

\$ '000	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	350	350
<b>Total financing arrangements</b>	<b>850</b>	<b>850</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	309	350
<b>Total undrawn financing arrangements</b>	<b>809</b>	<b>850</b>

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank subject to the notice period in accordance with the terms and conditions of the facility.

#### Accounting policy

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.

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or

### C3-3 Borrowings (continued)

---

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.

## C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	4,097	–	4,420	–
Sick leave	6	–	34	–
Long service leave	7,374	236	6,773	218
Gratuities	2,379	–	2,945	–
Other leave – RDO's	111	–	51	–
<b>Total employee benefit provisions</b>	<b>13,967</b>	<b>236</b>	<b>14,223</b>	<b>218</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	10,150	9,479
	<b>10,150</b>	<b>9,479</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

#### IPPE Revaluation reserve

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

## D Risks and accounting uncertainties

### D1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by Council's Finance team under policies approved by the Council.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance team manages the cash and investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's Investment Order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **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 the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,491	1,437
Impact of a 10% movement in price of investments		
– Equity / Income Statement	274	264

#### (b) Credit risk

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

## D1-1 Risks relating to financial instruments held (continued)

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	1,113	647	67	1,827
2022				
Gross carrying amount	1,437	481	67	1,985

## D1-1 Risks relating to financial instruments held (continued)

**Receivables - non-rates and annual charges and contract assets**

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	6,869	2,927	137	65	123	10,121
Expected loss rate (%)	0.00%	0.00%	26.23%	35.18%	38.59%	1.05%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>23</b>	<b>47</b>	<b>106</b>
<b>2022</b>						
Gross carrying amount	6,904	117	76	87	1,054	8,238
Expected loss rate (%)	0.00%	0.00%	45.86%	45.47%	58.13%	8.34%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>40</b>	<b>613</b>	<b>688</b>

**(c) Liquidity risk <sup>1</sup>**

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk, i.e. the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. Both of Councils loans were negotiated at a fixed interest rate for their entire terms. The Finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
<b>2023</b>							
Payables	0.05%	13,019	13,777	-	-	26,796	26,802
Borrowings	0.00%	-	3,461	12,959	19,026	35,446	35,446
<b>Total financial liabilities</b>		<b>13,019</b>	<b>17,238</b>	<b>12,959</b>	<b>19,026</b>	<b>62,242</b>	<b>62,248</b>
<b>2022</b>							
Payables	0.05%	12,623	11,095	-	-	23,718	25,705
Borrowings	4.20%	-	1,927	8,546	26,900	37,373	37,373
<b>Total financial liabilities</b>		<b>12,623</b>	<b>13,022</b>	<b>8,546</b>	<b>26,900</b>	<b>61,091</b>	<b>63,078</b>

(1) A separate maturity analysis of lease liabilities is at Note 14. Leases

## D2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the assigned level for each asset class held at fair value by North Sydney Council.

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Financial investments	C1-2						
At fair value through profit or loss		11,647	11,642	–	–	11,647	11,642
<b>Total financial assets</b>		<b>11,647</b>	<b>11,642</b>	<b>–</b>	<b>–</b>	<b>11,647</b>	<b>11,642</b>
<b>Investment property</b>							
Investment properties	C1-6	56,047	57,687	–	–	56,047	57,687
<b>Total investment property</b>		<b>56,047</b>	<b>57,687</b>	<b>–</b>	<b>–</b>	<b>56,047</b>	<b>57,687</b>
<b>Infrastructure, property, plant and equipment</b>							
Plant and equipment	C1-5	–	–	5,492	5,642	5,492	5,642
Office equipment		–	–	1,693	1,977	1,693	1,977
Furniture and fittings		–	–	1,338	1,731	1,338	1,731
Operational land		24,425	25,847	279,105	296,178	303,530	322,025
Community land		–	–	121,723	124,792	121,723	124,792
Crown land		–	–	56,219	61,878	56,219	61,878
Land improvements – depreciable		–	–	5,509	4,459	5,509	4,459
Buildings – non-specialised		1,286	990	30,518	32,743	31,804	33,733
Buildings – specialised		9,854	43	136,461	147,474	146,315	147,517
Other structures		–	–	985	998	985	998
Roads		–	–	295,082	278,246	295,082	278,246
Footpaths		–	–	93,148	87,588	93,148	87,588
Stormwater drainage		–	–	180,416	165,045	180,416	165,045
Swimming pools		–	–	3,006	3,081	3,006	3,081
Other open space/recreation assets		–	–	24,877	19,188	24,877	19,188
Other infrastructure assets		–	–	204,495	151,255	204,495	151,255
Heritage collections		–	–	8,346	8,218	8,346	8,218
Library books		–	–	892	870	892	870
<b>Total infrastructure, property, plant and equipment</b>		<b>35,565</b>	<b>26,880</b>	<b>1,449,305</b>	<b>1,391,363</b>	<b>1,484,870</b>	<b>1,418,243</b>

continued on next page ...

Page 51 of 68



## D2-1 Fair value measurement (continued)

### Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

### Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

#### Investment property

The market approach using Level 2 inputs was used to value Council's investment properties. The level 2 inputs used were quoted prices for similar assets in active markets and comparison of rate per square metre of floor area.

The 2022 revaluations were based on Independent Assessments made by Ms Elise Wallace of Australis Advisory Group Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Infrastructure, property, plant and equipment (IPPE)

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

Class	Valuation Technique	Unobservable Inputs
Plant & Equipment, Office Equipment, Furniture & Fittings	Cost approach	Depreciated historic cost and useful life.
Operational Land	Market approach	Price per square metre from sales evidence available.
Community Land	Land values obtained from the NSW Valuer-General	Land value, land area and level of restriction.
Land Improvements - depreciable	Cost approach	Unit rates, useful life, remaining life and residual value.
Buildings - non-specialised	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, useful life and residual value.
Buildings - specialised	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, useful life and residual value.
Other Structures	Cost approach	Current replacement cost of modern equivalent asset, useful life, remaining life and residual value.
Roads	Cost approach	Unit rates, useful life, remaining life and residual value.
Footpaths	Cost approach	Unit rates, useful life, remaining life and residual value.
Stormwater Drainage	Cost approach	Unit rates, useful life, remaining life and residual value.
Swimming Pools	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, useful life and residual value.
Open Space/Recreation Assets	Cost approach	Unit rates, useful life, remaining life and residual value.
Other Infrastructure Assets	Cost approach	Unit rates, useful life, remaining life and residual value.
Heritage Collections	Cost approach	Current replacement cost, useful life, remaining life and residual value.
Library Books	Cost approach	Depreciated historic cost and useful life.

## D2-1 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:

	2023	2022
	\$'000	\$'000
<b>Balance as at 1 July</b>	1,391,363	1,125,753
Total gains or losses for the period		
Recognised in profit and loss - realised (refer to Note B3-4 and B4-1)	(28,430)	(30,219)
Recognised in other comprehensive income - revaluation surplus	57,616	178,683
Other Movements		
Purchases	40,041	23,545
Sales	(375)	(309)
Transfers into Level 3		93,910
Transfers out of Level 3	(10,910)	
Other movements		
Balances as at 30 June	1,449,305	1,391,363

### Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

## D3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

Given the factors 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 to which they are not borne by members).

##### (a) Description of the funding arrangements.

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

### D3-1 Contingencies (continued)

\* For 180 point members, employers were required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in 2023/24 in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

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

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$300,596.58. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$195,781.92 Council's expected contribution to the plan for the next annual reporting period is \$292,485.36.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is: \$2,290.90 Million.

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

\* excluding other accumulation accounts and reserves in both assets and liabilities.

Council's share of the deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all of the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

#### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

## D3-1 Contingencies (continued)

---

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.

### 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) Potential land acquisitions due to planning restrictions imposed by Council

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

#### (iii) Legal Claims

Council is the planning authority for its area under the Environmental Planning and Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land and Environment Court. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In Class 4 proceedings, costs usually follow the event.

As at 30 June 2023, there were **twenty-two (22)** Land and Environment Court matters and no NSW Civil and Administrative Tribunal matters ongoing. All known costs have been recognised but the amount of further costs are unknown until the appeals are determined.

#### (iv) Claims for Contract Variations and Project Cost Increase Report for North Sydney Olympic Pool redevelopment

- Claims for Contract Variations for the North Sydney Olympic Pool Redevelopment

The project builder has submitted numerous and potentially material contract variation claims before and after the reporting date. Management has not accepted the large majority of these claims and they are subject to ongoing professional analysis and critique. No balance has been recorded for these pending claims.

- *Materials Cost Increase Reports* for the North Sydney Olympic Pool Redevelopment

Council has received *Materials Cost Increase Reports* before and after the reporting date from the project builder listing potential cost increases for the project. They relate to increases in the costs of input materials. Council continues to engage external experts to analyse and critique these reports and resolution is therefore pending. No balance has been recorded for these pending items.

## E People and relationships

### E1 Related party disclosures

#### E1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. The KMP for North Sydney Council are the Mayor, Councillors, General Manager, Director Corporate Services, Director City Strategy, Director Community and Library Services, Director Engineering and Property Services, Director Open Space and Environmental Services and Executive Manager Governance.

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

\$ '000	2023	2022
<b>Compensation:</b>		
Short-term benefits (salaries, Mayoral Allowance, Councillors fees)	2,171	2,431
Post-employment benefits (superannuation)	202	163
Other long-term benefits (increase in employee leave entitlements)	194	81
Termination Benefits	1,677	–
<b>Total</b>	<b>4,244</b>	<b>2,675</b>

#### E1-2 Councillor and Mayoral fees and associated expenses

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	77	61
Councillors' fees	280	250
Other Councillors' expenses (including Mayor)	97	58
<b>Total</b>	<b>454</b>	<b>369</b>

## E2 Other relationships

### E2-1 Audit fees

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

#### Auditors of the Council - NSW Auditor-General:

##### Audit and other assurance services

Audit and review of financial statements	86	83
--	----	----

<b>Remuneration for audit and other assurance services</b>	<b>86</b>	<b>83</b>
--	-----------	-----------

<b>Total Auditor-General remuneration</b>	<b>86</b>	<b>83</b>
---	-----------	-----------

<b>Total audit fees</b>	<b>86</b>	<b>83</b>
-------------------------	-----------	-----------

## F Other matters

### F1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>24,473</b>	22,489
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	27,184	24,772
(Gain) / loss on disposal of assets	1,253	533
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(5)	65
– Investment property	2,673	(2,769)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	4,469
Share of net (profits)/losses of associates/joint ventures using the equity method	(3)	(4)
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(1,725)	1,224
Increase / (decrease) in provision for impairment of receivables	65	(185)
(Increase) / decrease of inventories	(29)	(3)
(Increase) / decrease of other current assets	(8)	385
Increase / (decrease) in payables	767	(1,344)
Increase / (decrease) in accrued interest payable	(16)	221
Increase / (decrease) in other accrued expenses payable	1,179	1,107
Increase / (decrease) in other liabilities	692	(331)
Increase / (decrease) in contract liabilities	2,830	(5,047)
Increase / (decrease) in employee benefit provision	(238)	(1,368)
<b>Net cash flows from operating activities</b>	<b>59,092</b>	<b>44,214</b>

#### (b) Non-cash investing and financing activities

Dedications	4,060	–
<b>Total non-cash investing and financing activities</b>	<b>4,060</b>	<b>–</b>

## F2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	445	1,086
Computer software	-	-
Infrastructure	3,688	6,926
Library books	27	24
Other structures	52	18
North Sydney Olympic Pool Redevelopment	10,506	31,906
Plant and equipment	1,713	1,414
<b>Total commitments</b>	<b>16,431</b>	<b>41,374</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	16,431	41,374
<b>Total payable</b>	<b>16,431</b>	<b>41,374</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	27	23
Section 7.11 and 64 funds/reserves	323	815
Unexpended grants	478	2,833
Externally restricted reserves	519	32,732
Internally restricted reserves	15,084	4,971
<b>Total sources of funding</b>	<b>16,431</b>	<b>41,374</b>

### Details of capital commitments

Council has committed to the redevelopment of the North Sydney Olympic Pool complex, Infrastructure Capital works in Neutral Bay and various Parks, purchase of Plant and Equipment .

## F3-1 Events occurring after the reporting date

---

Events that occur between the end of the reporting period and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements. Accordingly, the 'authorised for issue' date is 26 October 2023.

Events that occur after the reporting period represent one of two types:

- **Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period)**

Council has no adjusting events to disclose

- **Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period)**

### *Claims for Contract Variations for the North Sydney Olympic Pool redevelopment*

Potentially material contract variations have been received after the reporting date. The large majority of these claims are still under assessment. Management is unable to estimate the final impact of these claims until expert analysis and further discussions with the contractor is complete.

### *Materials Cost Increase Reports for the North Sydney Olympic Pool redevelopment*

Council received a *Materials Cost Increase Report* from the construction contractor in August 2023, listing potential cost increases due increasing input material costs. Discussions around this matter have persisted with revised reports issued after reporting date. Management continues to retain external experts for analysis and critique of these reports. Management is unable to finalise the assessment of these costs, or any potential financial impact, until this analysis and further discussion with the construction contractor are complete.

## F4 Changes from prior year statements

### F4-1 Correction of errors

---

During the year ended 30 June 2023 Council re-examined the accounting treatment applied to 30 residential properties owned or partly owned by Council for the provision of social and affordable housing. In prior reporting periods Council did not recognise these properties as assets on the basis that they were not controlled by Council and therefore, would not have met the recognition criteria for an asset under relevant Australian Accounting Standards.

As a result of this re-examination, Council has determined that 21 properties met the recognition criteria for a service concession asset under AASB 1059 Service Concession Arrangements: Grantors and the remaining 9 properties met the recognition criteria for property, plant, and equipment under AASB 116. In correcting this matter adjustments totalling \$77.4m have been made to Accumulated Surplus and IPPE.

During the year ended 30 June 2023 Council staff undertook an extensive revaluation of other infrastructure assets resulting in the capitalisation of approximately 10 kms of fences and 4 kms of retaining walls not previously recognised. In correcting this omission adjustments totalling \$11.1m have been made to Accumulated Surplus and IPPE.

The matters identified above have been corrected by restating the balances at the beginning of the earliest period presented and (1 July 2021) and taking the adjustment through to the accumulated surplus at that date. In aggregate the adjustments totalled \$88.5m.

Comparatives have been changed to reflect these adjustments. The impact on each line item is shown in the tables below.



## F4-1 Correction of errors (continued)

## Changes to the opening Statement of Financial Position at 1 July 2021

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, property, plant and equipment	1,158,194	88,476	1,246,670
<b>Total assets</b>	<b>1,337,854</b>	<b>88,476</b>	<b>1,426,330</b>
<b>Total liabilities</b>	<b>63,650</b>	<b>–</b>	<b>63,650</b>
<b>Net assets</b>	<b>1,274,204</b>	<b>88,476</b>	<b>1,362,680</b>
Accumulated surplus	827,825	88,476	916,301
Revaluation reserves	446,379	–	446,379
<b>Total equity</b>	<b>1,274,204</b>	<b>88,476</b>	<b>1,362,680</b>

## Adjustments to the comparative figures for the year ended 30 June 2022

## Statement of Financial Position

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, property, plant and equipment	1,356,728	99,287	1,456,015
<b>Total assets</b>	<b>1,569,893</b>	<b>99,287</b>	<b>1,669,180</b>
<b>Total liabilities</b>	<b>88,289</b>	<b>–</b>	<b>88,289</b>
<b>Net assets</b>	<b>1,481,604</b>	<b>99,287</b>	<b>1,580,891</b>
Accumulated surplus	851,295	87,495	938,790
Revaluation reserves	630,309	11,792	642,101
<b>Total equity</b>	<b>1,481,604</b>	<b>99,287</b>	<b>1,580,891</b>

## Income Statement

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
<b>Total income from continuing operations</b>	<b>141,713</b>	<b>–</b>	<b>141,713</b>
Depreciation, amortisation and impairment of non-financial assets	28,290	981	29,271
<b>Total expenses from continuing operations</b>	<b>118,243</b>	<b>981</b>	<b>119,224</b>
<b>Net operating result for the year</b>	<b>23,470</b>	<b>(981)</b>	<b>22,489</b>

## F4-1 Correction of errors (continued)

## Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
<b>Net operating result for the year</b>	<b>23,470</b>	<b>(981)</b>	<b>22,489</b>
Gain (loss) on revaluation of infrastructure, property, plant and equipment	183,930	11,792	195,722
<b>Other comprehensive income</b>	<b>183,930</b>	<b>11,792</b>	<b>195,722</b>
<b>Total comprehensive income for the year</b>	<b>207,400</b>	<b>10,811</b>	<b>218,211</b>

## F5 Statement of developer contributions as at 30 June 2023

## F5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Active Transport	66	431	-	-	5	(232)	-	270	-
Administration	826	206	-	-	16	-	-	1,048	-
Affordable Housing	3,446	-	-	-	52	-	-	3,498	-
Community facilities	1,929	1,726	-	-	53	(64)	-	3,644	-
Open Space and Recreation	6,143	3,733	-	-	97	(3,451)	-	6,522	-
Public Domain	4,712	7,145	-	-	179	-	-	12,036	-
<b>S7.11 contributions – under a plan</b>	17,122	<b>13,241</b>	-	-	<b>402</b>	<b>(3,747)</b>	-	<b>27,018</b>	-
<b>S7.12 levies – under a plan</b>	894	<b>1,618</b>	-	-	<b>38</b>	-	-	<b>2,550</b>	-
<b>Total S7.11 and S7.12 revenue under plans</b>	18,016	<b>14,859</b>	-	-	<b>440</b>	<b>(3,747)</b>	-	<b>29,568</b>	-
S7.4 planning agreements	13,786	-	-	-	207	-	-	13,993	-
<b>Total contributions</b>	<b>31,802</b>	<b>14,859</b>	-	-	<b>647</b>	<b>(3,747)</b>	-	<b>43,561</b>	-

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## F5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
<b>NORTH SYDNEY PLAN 2004</b>									
Affordable Housing	3,446	-	-	-	52	-	-	3,498	-
<b>Total</b>	<b>3,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>3,498</b>	<b>-</b>
<b>NORTH SYDNEY PLAN 2020</b>									
Active transport	66	431	-	-	5	(232)	-	270	-
Administration	826	206	-	-	16	-	-	1,048	-
Community facilities	1,929	1,726	-	-	53	(64)	-	3,644	-
Open space and recreation	6,143	3,733	-	-	97	(3,451)	-	6,522	-
Public Domain	4,712	7,145	-	-	179	-	-	12,036	-
<b>Total</b>	<b>13,676</b>	<b>13,241</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>(3,747)</b>	<b>-</b>	<b>23,520</b>	<b>-</b>

## S7.12 Levies – under a plan

<b>NORTH SYDNEY PLAN 2020</b>									
Other	894	1,618	-	-	38	-	-	2,550	-
<b>Total</b>	<b>894</b>	<b>1,618</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>2,550</b>	<b>-</b>

## F6 Statement of performance measures

### F6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>1,741</b>	<b>1.33%</b>	3.32%	1.30%	(6.59)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>130,983</b>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>124,448</b>	<b>78.90%</b>	80.51%	79.19%	89.80%	> 60.00%
Total continuing operating revenue	<b>157,736</b>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	<b>75,490</b>	<b>2.72x</b>	2.71x	2.82x	2.82x	> 1.50x
Current liabilities less specific purpose liabilities	<b>27,755</b>					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation, amortisation and impairment <sup>1</sup>	<b>30,508</b>	<b>8.11x</b>	17.38x	19.32x	15.24x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>3,760</b>					
<b>5. Rates and annual charges outstanding percentage</b>						
Rates and annual charges outstanding	<b>2,066</b>	<b>2.77%</b>	2.94%	2.78%	2.90%	< 5.00%
Rates and annual charges collectable	<b>74,515</b>					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<b>135,400</b>	<b>14.28 months</b>	15.39 months	11.55 months	9.50 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>9,481</b>					

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

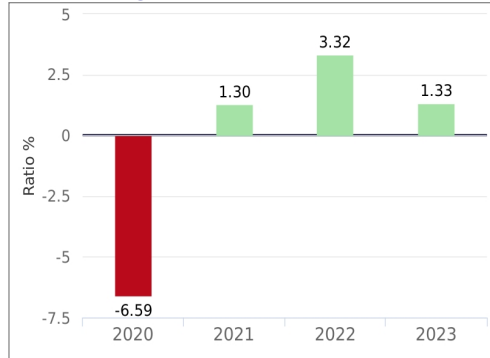
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2022/23 result

2022/23 ratio 1.33%

While Council recorded an Operating Deficit before Capital Grants and Contributions it maintained a positive Operating Performance Ratio, indicating it successfully contained operating expenditure within revenue. This ratio excludes the non-cash expenses "Decrement to Investment Properties" and "Loss on Disposals of Assets".

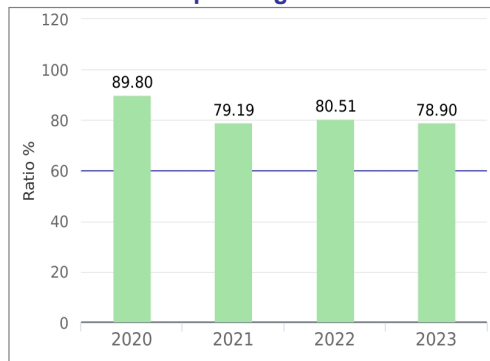
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2022/23 result

2022/23 ratio 78.90%

Council continues to comfortably exceed the benchmark. 78.90% of Council's operating revenue was derived from internal funding sources (as opposed to Grants and Contributions). Reliance on internal funding sources such as rates and user charges provides Council with fiscal flexibility.

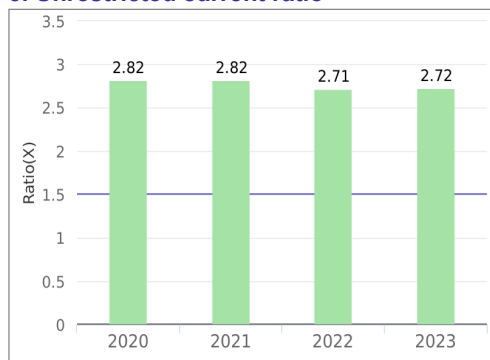
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2022/23 result

2022/23 ratio 2.72x

Council continues to comfortably exceed the benchmark. This is a reflection of Council's ongoing capacity to meet its obligations in the short term. On 30 June 2023, for every \$1.00 of current liabilities (funded from unrestricted or internally restricted cash), \$2.71 was available.

Benchmark: — > 1.50x

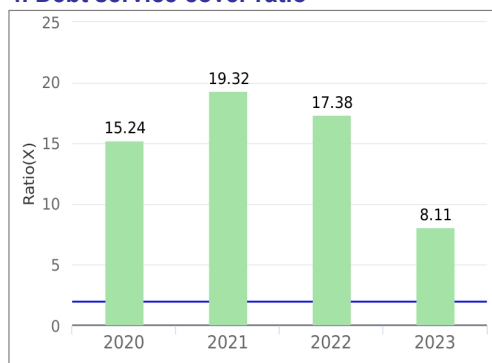
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**Commentary on 2022/23 result**

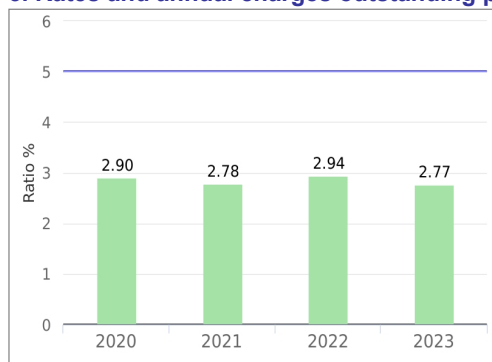
2022/23 ratio 8.11x

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



**Purpose of rates and annual charges outstanding percentage**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2022/23 result**

2022/23 ratio 2.77%

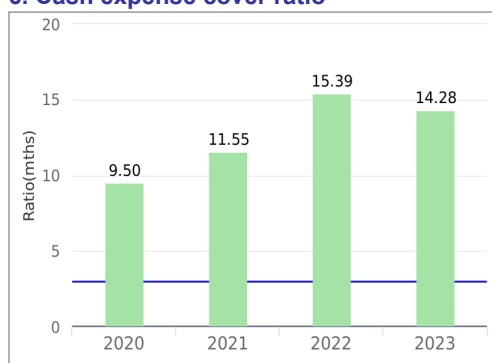
This ratio comfortably achieves the benchmark. This is a reflection of the ongoing effectiveness of Council's recovery efforts.

Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

6. Cash expense cover ratio



**Purpose of 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.

**Commentary on 2022/23 result**

2022/23 ratio 14.28 months

Council continues to comfortably exceed the benchmark. At 30 June 2023, in the absence of any additional cash flows, Council has sufficient cash and term deposits which, if redeemed, would continue paying its immediate expenses for 15.39 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2023

#### Independent Auditor's Reports:

---

On the Financial Statements (Sect 417 [2])

#### **Independent Auditor's Report**

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).



## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2023

#### Independent Auditor's Reports: (continued)

---

On the Financial Statements (Sect 417 [3])

#### **Independent Auditor's Report**

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

# North Sydney Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

---

*Shaping a progressive, diverse and vibrant North Sydney  
community.*



## North Sydney Council

### Special Schedules

for the year ended 30 June 2023

---

Contents	Page
<b>Special Schedules:</b>	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2023	5

## North Sydney Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	55,786	<b>56,736</b>
Plus or minus adjustments <sup>2</sup>	b	(162)	<b>(44)</b>
<b>Notional general income</b>	c = a + b	<b>55,624</b>	<b>56,692</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	<b>3.70%</b>
Or plus rate peg amount	i = e x (c + g)	1,112	<b>2,098</b>
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>56,736</b>	<b>58,790</b>
Plus (or minus) last year's carry forward total	l	27	<b>27</b>
<b>Sub-total</b>	n = (l + m)	<b>27</b>	<b>27</b>
<b>Total permissible income</b>	o = k + n	<b>56,763</b>	<b>58,817</b>
Less notional general income yield	p	56,736	<b>58,815</b>
<b>Catch-up or (excess) result</b>	q = o - p	<b>27</b>	<b>2</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>27</b>	<b>2</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Permissible income for general rates

---

Permissible income for general rates: PLUS PDF inserted here

Council needs to uplift custom PDF here - please uplift via "PLUS PDF" choice in the Home/TOC screen

## North Sydney Council

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance <sup>a</sup>	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Buildings</b>	Buildings	–	–	2,431	2,666	147,787	243,937	14.4%	38.0%	44.1%	3.5%	0.0%
	Service concession buildings	–	–	–	–	30,332	31,963	31.7%	58.2%	10.0%	0.1%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>2,431</b>	<b>2,666</b>	<b>178,119</b>	<b>275,900</b>	<b>16.4%</b>	<b>40.3%</b>	<b>40.1%</b>	<b>3.1%</b>	<b>0.1%</b>
<b>Other structures</b>	Other structures	–	–	–	–	985	1,147	44.1%	55.9%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>985</b>	<b>1,147</b>	<b>44.1%</b>	<b>55.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	800	800	1,153	1,399	215,177	306,000	36.6%	36.8%	21.5%	5.0%	0.1%
	Footpaths	519	519	1,960	2,106	93,148	146,752	35.0%	36.1%	22.9%	5.7%	0.3%
	Other road assets	574	574	121	135	79,905	121,846	25.9%	44.1%	25.8%	3.7%	0.5%
	<b>Sub-total</b>	<b>1,893</b>	<b>1,893</b>	<b>3,234</b>	<b>3,640</b>	<b>388,230</b>	<b>574,598</b>	<b>33.9%</b>	<b>38.2%</b>	<b>22.8%</b>	<b>4.9%</b>	<b>0.2%</b>
<b>Stormwater drainage</b>	Stormwater drainage	24,891	24,891	717	792	180,416	256,600	57.8%	28.8%	1.9%	1.7%	9.8%
	<b>Sub-total</b>	<b>24,891</b>	<b>24,891</b>	<b>717</b>	<b>792</b>	<b>180,416</b>	<b>256,600</b>	<b>57.8%</b>	<b>28.8%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>9.8%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	–	–	3,006	7,548	52.0%	27.4%	19.8%	0.8%	0.0%
	Other	82	82	1,049	894	24,877	39,406	46.2%	26.2%	25.3%	2.1%	0.2%
	<b>Sub-total</b>	<b>82</b>	<b>82</b>	<b>1,049</b>	<b>894</b>	<b>27,883</b>	<b>46,954</b>	<b>47.1%</b>	<b>26.4%</b>	<b>24.4%</b>	<b>1.9%</b>	<b>0.2%</b>
<b>Other infrastructure assets</b>	Other	5,039	5,039	1,447	1,625	204,495	299,972	8.4%	51.2%	36.7%	2.0%	1.7%
	<b>Sub-total</b>	<b>5,039</b>	<b>5,039</b>	<b>1,447</b>	<b>1,625</b>	<b>204,495</b>	<b>299,972</b>	<b>8.4%</b>	<b>51.2%</b>	<b>36.7%</b>	<b>2.0%</b>	<b>1.7%</b>
<b>Total – all assets</b>		<b>31,905</b>	<b>31,905</b>	<b>8,878</b>	<b>9,617</b>	<b>980,128</b>	<b>1,455,171</b>	<b>30.0%</b>	<b>39.2%</b>	<b>25.3%</b>	<b>3.3%</b>	<b>2.2%</b>

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

## Infrastructure asset condition assessment 'key'

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

## North Sydney Council

### Report on infrastructure assets as at 30 June 2023 (continued)

---

5 **Very poor**

Urgent renewal/upgrading required

## North Sydney Council

## Report on infrastructure assets as at 30 June 2023

## (v) Report on infrastructure assets as at 30 June 2023 (voluntary)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2022/23 Required maintenance <sup>a</sup> \$ '000	2022/23 Actual maintenance \$ '000	Net carrying amount \$ '000	Click to Enter type of asset valuation (xxx) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	178,119	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,119</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	-	-	-	-	985	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Roads	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Footpaths	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	388,230	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388,230</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	180,416	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180,416</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	-	-	-	-	27,883	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,883</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

continued on next page ...



## North Sydney Council

## Report on infrastructure assets as at 30 June 2023 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2022/23 Required maintenance <sup>a</sup> \$ '000	2022/23 Actual maintenance \$ '000	Net carrying amount \$ '000	Click to Enter type of asset valuation (xxx) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Other infrastructure assets	Other	-	-	-	-	204,495	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	-	-	-	-	<b>204,495</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>Total – all assets</b>	-	-	-	-	<b>980,128</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

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

## North Sydney Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts		Indicator 2023	Indicators			Benchmark
	2023	2022		2021	2020	2022	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>	<b>19,774</b>						
Depreciation, amortisation and impairment	<b>22,784</b>		<b>86.79%</b>	150.63%	98.35%	93.60%	> 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard <sup>2</sup>	<b>31,905</b>						
Net carrying amount of infrastructure assets	<b>1,030,370</b>		<b>3.10%</b>	3.65%	3.89%	4.01%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>9,617</b>						
Required asset maintenance	<b>8,878</b>		<b>108.32%</b>	88.69%	102.57%	97.95%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>31,905</b>						
Gross replacement cost	<b>1,455,171</b>		<b>2.19%</b>	2.60%	2.58%	2.60%	

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

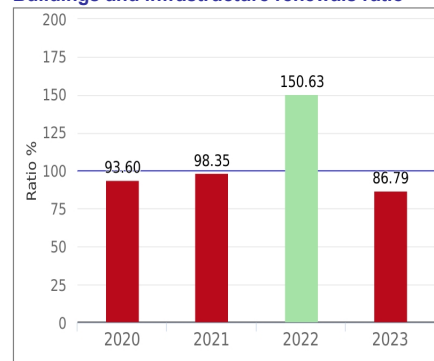
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) As there is no standard industry practice for identifying the estimated cost to bring assets to a satisfactory standard, Council has elected to use the estimated cost of fully renewing infrastructure assets assessed to be in category 5 (very poor condition) as the estimated cost to bring assets to a satisfactory standard.

## North Sydney Council

### Report on infrastructure assets as at 30 June 2023

#### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on result**

22/23 ratio 86.79%

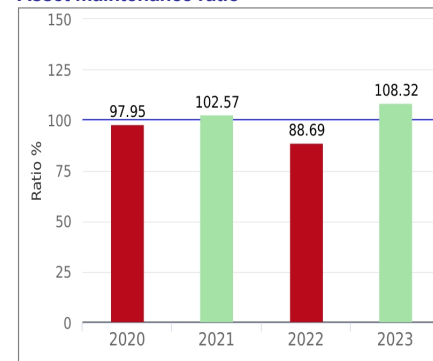
The benchmark was not achieved in the financial year. The three-year average, however, is 112.92%. This indicates Council is renewing its infrastructure assets at an appropriate and sustainable rate. The benchmark will be comfortably exceeded in 2023/24 as payments for the completion of the Olympic Pool are made.

Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

#### Asset maintenance ratio



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on result**

22/23 ratio 108.32%

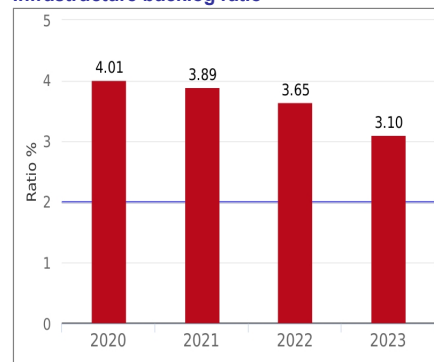
In 2021/22 the benchmark was not achieved due to persistent wet weather delaying maintenance work. Maintenance efforts exceeded benchmark in 2022/23.

Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

#### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

22/23 ratio 3.10%

While the benchmark was not met, Council's renewal efforts continue to reduce the backlog.

Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

#### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on result**

22/23 ratio 2.19%

Council's renewal efforts continue to reduce assets not meeting agreed service levels.

## North Sydney Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Benchmark
	2023	2022	
<b>Buildings and infrastructure renewals ratio</b>			
Asset renewals <sup>1</sup>	<b>86.79%</b>	150.63%	> 100.00%
Depreciation, amortisation and impairment			
<b>Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>3.10%</b>	3.65%	< 2.00%
Net carrying amount of infrastructure assets			
<b>Asset maintenance ratio</b>			
Actual asset maintenance	<b>108.32%</b>	88.69%	> 100.00%
Required asset maintenance			
<b>Cost to bring assets to agreed service level</b>			
Estimated cost to bring assets to an agreed service level set by Council	<b>2.19%</b>	2.60%	
Gross replacement cost			

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