

10.2. Financial Statements for the Year Ended 30 June 2022

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ATTACHMENTS:

1. North Sydney Council Annual Financial Statements 2022 [10.2.1 - 75 pages]

PURPOSE:

To present the draft Financial Statements for the year ended 30 June 2022 and to seek Council approval to refer them to Audit Office of NSW for audit. The audited statements will be reported to a future Council Meeting.

EXECUTIVE SUMMARY:

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. An application for an extension of lodgement of the financial statements to 30 November 2022 was approved by the Local Government Office. A further extension has been lodged requesting a lodgement date of 15 December 2022. This was supported by the Auditors and the Council expects to receive confirmation of this extension shortly.

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 15 December 2022.
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 7 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 2021/22 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 also presented to the Audit, Risk and Improvement Committee on 1 December 2022 to provide committee members with an opportunity to review the document and provide feedback for consideration. The Committee decided 'That the draft Financial Statements be referred to Council'.

The Income Statement included in the General Purpose Financial Statements discloses a net operating surplus of \$23.5 million. This was \$7.2 million less than the \$30.7 million surplus forecast in the original budget.

FINANCIAL IMPLICATIONS:

For the year ended 30 June 2022, Council's net operating result including capital grants and contributions was a surplus of \$23.5 million. This was \$7.2 million less than forecast in the original budget. Before capital grants and contributions, the result was a surplus of \$2.8 million. This was \$2.2 million less than forecast in the original budget.

RECOMMENDATION:

1. THAT Council resolves that in its opinion the General Purpose Financial Statements and Special Schedules for the year ended 30 June 2022:

- 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 the Council's knowledge and belief the statements present fairly the Council's operating result and financial position for the year and accords with the Council's accounting and other records; and
- The Council is unaware of any matter that would render the financial statements false or misleading in any way.

2. THAT Council declares that 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 at an extraordinary meeting to be conducted for this purpose of which due notice is given as follows:

Date: Monday, 16 January 2023
Time: 6.30pm
Location: Council Chambers

DETAIL

Net Operating Result

As disclosed in the Income Statement for the year ended 30 June 2022, the net operating result including capital grants and contributions was a surplus of \$23.5 million, \$7.2 million less than the \$30.7 million surplus forecast in the original budget. The result was an improvement of \$9.3 million on the revised surplus of \$14.2 million forecast in the March Quarterly Budget Review.

Excluding capital grants and contributions, the net operating result was a surplus of \$2.8 million, \$2.2 million less than the surplus of \$5 million forecast in the original budget. This result was an improvement of \$7 million on the \$5.2 million deficit forecast in the March Quarterly Budget Review.

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

	2021/22 Original Budget (\$'000)	2021/22 Actual (\$'000)	2021/22 Variance (\$'000)	2020/21 Actual (\$'000)
2021/22 Operating Result				
Income from continuing operations	152,110	141,713	(10,397)	143,578
Expenses from continuing operations	121,447	118,243	3,204	119,866
Net operating result for the year	30,663	23,470	(7,193)	23,712
Net operating result for the year before grants and contributions provided for capital purposes	4,988	2,792	(2,196)	(507)

Income from continuing operations was \$10.4 million less than forecast in the original budget. The following table provides a summary of the main reasons for this.

Category/Type	Variance from original budget (\$'000)	Reason
State and Commonwealth Grants towards various capital projects	5,035	Advised of successful grant applications after budget was finalised.
Financial Assistance Grant	740	Early receipt of approximately 75% of the estimated 2022/23 grant.
Interest and investment revenue	186	Greater than expected pool of funds available for investment due to delays in the commencement of some capital works projects.
Parking infringements	(1,220)	Fewer infringement notices issued due to pandemic lockdowns in the first half of the year.

Advertising on Council infrastructure	(2,400)	Later than expected commencement of new contract.
Increase in fair value of investment properties	(2,704)	Declining property values resulting from a cooling property market.
Developer contributions	(10,032)	Sydney Metro contribution budgeted to be received in July 2021 but received in June 2021.
Total	(10,395)	

Expenses from continuing operations was \$3.2 million less than forecast in the original budget. The following table provides a summary of the main reasons for this.

Category/Type	Variance from original budget (\$'000)	Reason
Salaries and wages	3,087	Staff turnover and ongoing vacancies.
Waste collection and disposal	1,307	Service changes to some waste collection zones and a delay in the payment of compensation to the collection contractor.
Infrastructure maintenance	998	Pandemic lockdowns in the first half of the year and inclement weather throughout the year.
Employees leave entitlements	629	Increase in the discount rate used for valuing the ELE liability.
Other employee costs	654	Staff turnover and ongoing vacancies.
Loan interest	561	Later than expected drawdown of North Sydney Olympic Pool redevelopment loan.
Emergency Services Levy	347	State government assistance towards the increase in the levy.
Decrement on revaluation of land improvement infrastructure assets	(4,469)	Not forecast in the original budget.
Total	3,114	

Capital Expenditure

During the year \$44.3 million was spent on capital projects. \$33.4 million was spent on the renewal of existing infrastructure, property, plant, and equipment. \$10.8 million was spent on the acquisition of new infrastructure, property, plant, and equipment. \$132,000 was spent on the refurbishment of investment properties.

Due to a combination of pandemic lockdowns in the first half of the financial year, inclement weather throughout much of the year, supply chain issues, contractor availability and staff turnover, many capital projects were not completed as scheduled by 30 June 2022.

To fund the completion of these projects, it was necessary to carry forward \$25 million from the 2021/22 budget to the 2022/23 budget. Council approved the required amendments to the 2022/23 budget at the meeting held on 14 November 2022 (Item 10.13).

Year-end Cash Position

As of 30 June 2022, cash and investments totaled \$143.5 million, an increase of \$32.3 million from the previous year. This was largely due to the drawdown, late in the financial year, of the \$31 million loan to partially fund the redevelopment of North Sydney Olympic Pool. Due to that project running behind schedule, these funds had not been spent on 30 June 2022 and were restricted externally for expenditure in 2022/23.

Of the cash and investments balance of \$143.5 million, \$81.3 million was externally restricted and \$53.3 million was internally restricted. The remaining \$8.9 million was unrestricted and provides a buffer against future unforeseen and unbudgeted expenditures.

The following table provides a breakdown of externally restricted funds on 30 June 2022.

External Restriction	\$'000
Developer Contributions	31,802
Unspent Borrowings - North Sydney Olympic Pool	31,000
Domestic Waste Management	10,081
Specific Purpose Unexpended Grants	6,247
Environment Levy	1,546
Mainstreet Levies	403
Specific Purpose Unexpended Contributions	123
Waste and Sustainability Improvement funds	93
Stormwater Management	2
Total	81,297

Of the \$81.3 million externally restricted, \$43.6 million was required to fund the completion of projects still in progress on 30 June 2022 (including the redevelopment of North Sydney Olympic Pool).

The following table provides a breakdown of internally restricted funds on 30 June 2022.

Internal Restriction	\$'000
Capital Works Reserve	25,395
Deposits, retentions, and bonds	12,623
Employee Leave Entitlements Reserve	7,220
North Sydney Olympic Pool Redevelopment Reserve	3,004
Plant and Vehicle Replacement Reserve	2,393
Community Housing - Capital Purchases Reserve	963
Community Housing - Major Maintenance Reserve	248

Internal Restriction	\$'000
Income Producing Projects Reserve	757
I.T. Reserve	643
Insurance Reserve	80
Total	53,326

Of the \$53.3 million internally restricted, \$18.1 million was required to fund the completion of projects still in progress on 30 June 2022, \$12.6 million was deposits, retentions and bonds that are likely to be refunded eventually and \$7.2 million represented the funding of 50% of the employee leave liability.

Asset Revaluations

A comprehensive valuation of operational land was completed by Australis Asset Advisory Group Pty Ltd as of 31 March 2022. The valuation resulted in a gain of \$78.6m on the previous valuation completed as of March 2018 that was recognised in the asset revaluation reserve. The movements for most properties were broadly consistent with the median market movement for the North Sydney LGA over this period. Notable exceptions were the Ward Street and Harnett Street car park sites both of which had substantial increases above the broad market trend for the LGA. This was primarily due to their proximity to the North Sydney CBD which has experienced larger increases in values as it is currently undergoing a transition period, with significant improvements to infrastructure and high levels of redevelopment in conjunction with the Sydney Metro project.

A comprehensive valuation of the land improvements asset class was completed by Xyst Pty Ltd as of 30 June 2022. This was the first comprehensive valuation completed for this asset class with depreciated historic cost used as an approximation of fair value in prior reporting periods. The valuation resulted in a reduction of \$6.9m, with \$2.4m debited to the asset revaluation reserve reversing previous indexation adjustments, and the remaining \$4.5m recognised in profit and loss.

From the final quarter of the 2021 Financial Year to the year ended 30 June 2022 there was a pronounced change in construction costs across the government and infrastructure sectors.

As a result, Council determined that the carrying values of its infrastructure asset classes, which are valued on a cost basis, was no longer materially consistent with fair value. Interim valuations of these asset classes were completed to bring carrying values in line with fair value. This resulted in a total gain on revaluation of \$69.7m which was recognised in the asset revaluation reserve.

The carrying value of community land and Crown land were also assessed as materially inconsistent with fair value based on recent NSW Valuer-General reports on land value trends in the Sydney North Coast area. Interim valuations of these asset classes were completed with a total gain on revaluation of \$18.2m recognised in the asset revaluation reserve.

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 following table.

Financial Performance Measure	Result	Benchmark
Operating Performance Ratio	4.15%	> 0%
Own Source Operating Revenue Ratio	80.51%	> 60%
Unrestricted Current Ratio	2.71x	> 1.5x
Debt Service Cover Ratio	17.38x	> 2x
Rates and Annual Charges Outstanding Percentage	2.94%	< 5%
Cash Expense Cover Ratio	15.39 months	> 3 months

Infrastructure Management Measures

Council met the benchmark for the Buildings and Infrastructure Renewals Ratio. The Asset Maintenance Ratio was not met due to rain interrupting many infrastructure maintenance activities. The Infrastructure Backlog Ratio was not met but was slightly improved compared to the prior year. The estimated cost to bring infrastructure assets to the agreed service level as a percentage of the gross replacement cost of those assets was 2.60%. The ratios are presented in the following table.

Infrastructure Management Measure	Result	Benchmark
Buildings and Infrastructure Renewals Ratio	158.28%	> = 100%
Asset Maintenance Ratio	88.69%	> = 100%
Infrastructure Backlog Ratio	3.83%	< 2%
Cost to bring assets to agreed service level	2.60%	N/A

Conclusion

As of 30 June 2022, Council's financial position was sound with net assets of \$1.48 billion, including cash and investments of \$143.5 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 2022, Council's unrestricted current ratio was 2.71:1, 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. Therefore, 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.

North Sydney Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

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



North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

Shaping a progressive, diverse and vibrant North Sydney community.



North Sydney Council

General Purpose Financial Statements

for the year ended 30 June 2022

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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

North Sydney Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

North Sydney Council

General Purpose Financial Statements

for the year ended 30 June 2022

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 12 December 2022.

Zoe Baker
Mayor
12 December 2022

Godfrey Santer
Councillor
12 December 2022

Therese Manns
General Manager
12 December 2022

Christian Menday
Responsible Accounting Officer
12 December 2022

North Sydney Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
70,659	Rates and annual charges	B2-1	71,112	66,018
27,968	User charges and fees	B2-2	26,923	31,166
10,726	Other revenues	B2-3	7,202	8,390
5,171	Grants and contributions provided for operating purposes	B2-4	6,398	5,449
25,675	Grants and contributions provided for capital purposes	B2-4	20,678	24,219
1,182	Interest and investment income		1,368	1,279
10,729	Other income	B2-5	8,032	7,057
<u>152,110</u>	Total income from continuing operations		<u>141,713</u>	<u>143,578</u>
Expenses from continuing operations				
46,741	Employee benefits and on-costs	B3-1	42,371	42,900
47,178	Materials and services	B3-2	43,811	44,123
1,059	Borrowing costs		559	374
23,199	Depreciation, amortisation and impairment of non-financial assets	B3-3	28,260	27,524
3,236	Other expenses	B3-4	2,709	3,790
34	Net loss from the disposal of assets		533	1,155
<u>121,447</u>	Total expenses from continuing operations		<u>118,243</u>	<u>119,866</u>
<u>30,663</u>	Operating result from continuing operations		<u>23,470</u>	<u>23,712</u>
<u>30,663</u>	Net operating result for the year attributable to Council		<u>23,470</u>	<u>23,712</u>
<u>4,988</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>2,792</u>	<u>(507)</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 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		23,470	23,712
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	<u>183,930</u>	16,634
Total items which will not be reclassified subsequently to the operating result		183,930	16,634
Total other comprehensive income for the year		183,930	16,634
Total comprehensive income for the year attributable to Council		207,400	40,346

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	54,571	25,184
Investments	C1-2	88,892	85,995
Receivables	C1-4	9,030	10,182
Inventories		40	37
Other		569	954
Total current assets		153,102	122,352
Non-current assets			
Receivables	C1-4	505	392
Infrastructure, property, plant and equipment (IPPE)	C1-5	1,356,728	1,158,194
Investment property	C1-6	57,687	54,786
Right of use assets	C2-1	1,839	2,102
Investments accounted for using the equity method		32	28
Total non-current assets		1,416,791	1,215,502
Total assets		1,569,893	1,337,854
LIABILITIES			
Current liabilities			
Payables	C3-1	25,705	24,527
Contract liabilities	C3-2	8,850	13,897
Lease liabilities	C2-1	303	303
Borrowings	C3-3	1,927	881
Employee benefit provisions	C3-4	14,223	15,560
Total current liabilities		51,008	55,168
Non-current liabilities			
Lease liabilities	C2-1	1,617	1,860
Borrowings	C3-3	35,446	6,373
Employee benefit provisions	C3-4	218	249
Total non-current liabilities		37,281	8,482
Total liabilities		88,289	63,650
Net assets		1,481,604	1,274,204
EQUITY			
Accumulated surplus	C4-1	851,295	827,825
IPPE revaluation reserve	C4-1	630,309	446,379
Council equity interest		1,481,604	1,274,204
Total equity		1,481,604	1,274,204

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 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		827,825	446,379	1,274,204	804,113	429,745	1,233,858
Net operating result for the year		23,470	–	23,470	23,712	–	23,712
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	–	183,930	183,930	–	16,634	16,634
Other comprehensive income		–	183,930	183,930	–	16,634	16,634
Total comprehensive income		23,470	183,930	207,400	23,712	16,634	40,346
Closing balance at 30 June		851,295	630,309	1,481,604	827,825	446,379	1,274,204

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 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
70,738	Rates and annual charges		70,617	66,365
27,980	User charges and fees		27,439	34,312
1,072	Interest received		1,463	1,186
39,575	Grants and contributions		24,291	29,238
3,600	Bonds, deposits and retentions received		2,393	4,172
20,183	Other		19,640	19,394
Payments:				
(46,261)	Payments to employees		(43,679)	(44,205)
(47,299)	Payments for materials and services		(48,810)	(47,945)
(940)	Borrowing costs		(338)	(379)
(3,600)	Bonds, deposits and retentions refunded		(2,485)	(2,254)
(8,088)	Other		(6,317)	(7,139)
56,960	Net cash flows from operating activities	G1-1	44,214	52,745
Cash flows from investing activities				
Receipts:				
40,000	Sale of investments		43,352	29,060
1,254	Proceeds from sale of IPPE		1,043	401
Payments:				
(38,361)	Purchase of investments		(46,314)	(33,000)
–	Purchase of investment property		(132)	(75)
(82,510)	Payments for IPPE		(42,652)	(32,100)
(79,617)	Net cash flows from investing activities		(44,703)	(35,714)
Cash flows from financing activities				
Receipts:				
31,000	Proceeds from borrowings		31,000	–
Payments:				
(1,464)	Repayment of borrowings		(881)	(846)
–	Principal component of lease payments		(243)	(236)
29,536	Net cash flows from financing activities		29,876	(1,082)
6,879	Net change in cash and cash equivalents		29,387	15,949
1,996	Cash and cash equivalents at beginning of year		25,184	9,235
8,875	Cash and cash equivalents at end of year	C1-1	54,571	25,184
70,647	plus: Investments on hand at end of year	C1-2	88,892	85,995
79,522	Total cash, cash equivalents and investments		143,463	111,179

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

North Sydney Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 November 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

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 2022 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Our Living Environment	23,881	21,676	29,975	30,229	(6,094)	(8,553)	3,173	822	381,954	347,724
Our Built Infrastructure	44,273	41,012	15,869	19,253	28,404	21,759	18,535	9,806	643,321	579,859
Our Future Planning	12,413	12,011	13,520	13,694	(1,107)	(1,683)	194	17	233,789	169,327
Our Social Vitality	1,584	1,349	7,538	6,786	(5,954)	(5,437)	1,253	1,149	115,409	85,381
Our Civic Leadership	57,711	51,130	25,798	20,647	31,913	30,483	2,153	1,529	195,420	155,563
Other	1,851	16,400	25,543	29,257	(23,692)	(12,857)	1,768	16,345	-	-
Total functions and activities	141,713	143,578	118,243	119,866	23,470	23,712	27,076	29,668	1,569,893	1,337,854

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	2022	2021
Ordinary rates		
Residential	30,462	28,369
Business	19,286	17,237
Less: pensioner rebates (mandatory)	(144)	(147)
Less: pensioner rebates (Council policy)	(118)	(120)
Rates levied to ratepayers	49,486	45,339
Pensioner rate subsidies received	144	147
Total ordinary rates	49,630	45,486
Special rates		
Infrastructure levy	2,213	2,062
Environmental levy	2,484	2,314
Main street levies	492	496
Rates levied to ratepayers	5,189	4,872
Total special rates	5,189	4,872
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	15,693	15,053
Stormwater management services	577	574
Section 611 charges	56	67
Less: pensioner rebates (mandatory)	(41)	(42)
Less: pensioner rebates (Council policy)	(33)	(34)
Annual charges levied	16,252	15,618
Pensioner subsidies received:		
– Domestic waste management	41	42
Total annual charges	16,293	15,660
Total rates and annual charges	71,112	66,018

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

Accounting policy

Rates and annual charges are recognised as revenue 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	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services (additional)	2	1,195	1,211
Total specific user charges		1,195	1,211
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	3,571	3,525
Regulatory / statutory fees	2	6,108	7,597
Section 10.7 certificates (EP&A Act)	2	330	306
Section 603 certificates	2	212	183
Total fees and charges – statutory/regulatory		10,221	11,611
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Swimming centres	1	–	638
Community centres / facilities	1	56	138
Domestic waste management – other	2	48	66
Family day care	2	234	225
Library	2	46	67
On street parking	2	7,032	8,743
Off street parking	1	4,439	4,033
Ovals	1	688	1,038
Planning and building regulation (non-statutory)	2	1,832	1,286
Public events	2	46	57
Reinstatements	2	898	1,802
Other	2	188	251
Total fees and charges – other		15,507	18,344
Total other user charges and fees		25,728	29,955
Total user charges and fees		26,923	31,166
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		5,183	5,847
User charges and fees recognised at a point in time (2)		21,740	25,319
Total user charges and fees		26,923	31,166

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

\$ '000	Timing	2022	2021
Advertising on Council infrastructure	1	832	1,070
Community housing accumulated surplus (from Link Housing)	2	120	–
Fines – parking	2	5,183	6,288
Fines – environmental and compliance	2	153	36
Credit card payment surcharge	2	104	87
Legal fees recovered	2	166	208
New Years Eve event revenue	2	33	33
Other	2	611	668
Total other revenue		7,202	8,390

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	832	1,070
Other revenue recognised at a point in time (2)	6,370	7,320
Total other revenue	7,202	8,390

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 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	849	739	–	–
Financial assistance – local roads component	2	266	237	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,304	790	–	–
Financial assistance – local roads component	2	409	254	–	–
Amount recognised as income during current year		2,828	2,020	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Community Care	2	757	886	–	16
Environment Programs	2	469	428	6	92
Recreation and culture	2	445	226	16,041	3,629
Storm/flood damage	2	–	–	–	52
Town Planning	2	311	320	–	–
Transport for NSW contributions (regional roads, block grant)	2	703	703	–	–
Roads to Recovery	2	305	305	–	–
Other roads and transport	2	406	362	2,863	4,085
Other	2	174	199	–	–
Total special purpose grants and non-developer contributions – cash		3,570	3,429	18,910	7,874
Total special purpose grants and non-developer contributions (tied)		3,570	3,429	18,910	7,874
Total grants and non-developer contributions		6,398	5,449	18,910	7,874
Comprising:					
– Commonwealth funding		992	1,054	10,444	1,637
– State funding		4,822	3,959	8,362	6,221
– Other funding		584	436	104	16
		6,398	5,449	18,910	7,874

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 "over time",
(2) indicates income recognised under AASB 15 or AASB 1058 "at a point in time".

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	F4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	–	11,818
S 7.11 – contributions towards amenities/services		2	–	–	1,768	4,527
Total developer contributions – cash			–	–	1,768	16,345
Total developer contributions			–	–	1,768	16,345
Total contributions			–	–	1,768	16,345
Total grants and contributions			6,398	5,449	20,678	24,219
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			6,398	5,449	20,678	24,219
Total grants and contributions			6,398	5,449	20,678	24,219

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 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	312	177	10,214	7,842
Add: Funds received and not recognised as revenue in the current year	462	312	1,535	5,730
Less: Funds received in prior year but revenue recognised and funds spent in current year	(148)	(177)	(6,128)	(3,358)
Unspent funds at 30 June	626	312	5,621	10,214

The majority of unspent grant funding at 30 June 2022 was received for the following projects which had not yet been completed:

- streetscape upgrades along the Military Road corridor;
- design of the proposed redevelopment of Holtermann Street Car Park in Crows Nest;
- redevelopment of the former Quarantine Boat Depot at Waverton to create additional open space;
- renewal or upgrade of sporting facilities at Anderson Park in Neutral Bay, Bon Andrews Oval in North Sydney and Tunks Park in Cammeray;
- upgrade of Gore Cove Walking Track;
- East Crescent Street and Blues Point Road pocket park under the Streets as Shared Spaces program;
- Faster Regionally Significant Development Applications Pilot Program; and
- Food Waste Collection Trial.

Contributions

Unspent funds at 1 July	171	385	32,333	18,785
Add: contributions received and not recognised as revenue in the current year	120	38	1,854	16,400
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(171)	(252)	(2,382)	(2,852)
Unspent contributions at 30 June	120	171	31,805	32,333

As at 30 June 2022, Council held \$31.8 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 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		2,769	913
Total fair value increment on investment properties	C1-6	2,769	913
Fair value increment on investments			
Fair value increment on investments through profit and loss		-	94
Total Fair value increment on investments		-	94
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		4,243	5,011
Total Investment properties		4,243	5,011
Other lease income			
Room/Facility Hire		713	728
Leaseback fees - council vehicles		303	303
Total other lease income		1,016	1,031
Total rental income	C2-2	5,259	6,042
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		4	8
Total net share of interests in joint ventures and associates using the equity method		4	8
Total other income		8,032	7,057

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

\$ '000	2022	2021
Salaries and wages	33,448	33,503
Employee leave entitlements (ELE)	4,475	4,720
Superannuation – defined contribution plans	3,400	3,241
Superannuation – defined benefit plan	590	819
Workers' compensation insurance	821	687
Fringe benefit tax (FBT)	220	248
Gratuities	270	401
Other	199	204
Total employee costs	43,423	43,823
Less: capitalised costs	(1,052)	(923)
Total employee costs expensed	42,371	42,900
Number of 'full-time equivalent' employees (FTE) at year end	365	379

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	2022	2021
Audit Fees	E2-1	83	85
Consultancy		1,163	759
Contractor costs:			
– Agency staff		1,267	1,415
– Cash collection		246	327
– Cleaning of Council properties		384	594
– Computer hardware and software maintenance		1,716	1,657
– Mowing		907	1,017
– Infrastructure maintenance		3,881	5,266
– Parking meter maintenance		914	943
– Parks, gardens and tree maintenance		1,680	1,832
– Property maintenance and management		2,915	3,468
– Public events		873	302
– Waste and recycling collection		7,368	6,815
– Waste and recycling disposal		4,196	4,108
– Other contractor costs		2,458	2,703
Infringement notice contract costs (SEINS)		668	829
Raw materials and consumables		3,980	3,994
Service costs (previously other expenses):			
– Bank charges		437	479
– Councillor and Mayoral fees and associated expenses	E1-2	369	333
– Election expenses		483	–
– Electricity and heating		535	785
– Insurance		2,300	2,202
– Postage		304	318
– Staff training		284	302
– Staff travel expenses		263	242
– Street lighting		652	763
– Telephone and communications		399	415
– Other service costs		660	555
Legal expenses:			
– Legal expenses: planning and development		2,248	1,494
– Legal expenses: debt recovery		31	–
– Legal expenses: other		147	121
Total materials and services		43,811	44,123
Total materials and services		43,811	44,123

Accounting policy

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

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	2022	2021
Depreciation and amortisation		
Furniture and fittings	473	507
Office equipment	933	879
Land improvements (depreciable)	340	443
Plant and equipment	2,009	2,221
Infrastructure:		
– Buildings – specialised	2,777	2,778
– Buildings – non-specialised	31	30
– Footpaths	3,395	3,191
– Other structures	13	54
– Roads	6,116	5,975
– Stormwater drainage	1,981	1,953
– Swimming pools	75	2,791
– Other open space / recreational assets	1,369	1,259
– Other infrastructure	3,557	3,469
Right of use assets	263	263
Other assets:		
– Heritage collections	117	42
– Library books	342	364
Total depreciation and amortisation costs	23,791	26,219
Impairment / revaluation decrement of IPPE		
Land improvements (depreciable)	4,469	–
Other structures	–	1,305
Total gross IPPE impairment / revaluation decrement costs	4,469	1,305
Total IPPE impairment / revaluation decrement costs charged to Income Statement	4,469	1,305
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E	28,260	27,524

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 no longer required to be tested for impairment under AASB 136 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.

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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

B3-4 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
User charges and fees		78	4
Rental income		(256)	600
Total impairment of receivables	C1-4	(178)	604
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		65	–
Total Fair value decrement on investments	C1-2	65	–
Other			
Contributions/levies to other levels of government			
– Department of planning levy		285	281
– Emergency services levy (includes FRNSW and SES levies)		1,081	1,330
– Land tax		–	21
– Parking Space Levy		472	646
– State Treasury (share of net parking infringement revenue)		–	(54)
Donations, contributions and assistance to other organisations		984	962
Total other		2,822	3,186
Total other expenses		2,709	3,790

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 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	----- 2022 Variance -----	
Revenues				
Other revenues	10,726	7,202	(3,524)	(33)% U
This variance can be attributed to the later than expected commencement of a new contract for advertising on Council infrastructure and significantly lower than expected revenue from parking infringements, particularly in the first half of the financial year, due to the impact of pandemic lockdowns.				
Operating grants and contributions	5,171	6,398	1,227	24% F
The actual amount of grants received often depends on decisions made by the State and Commonwealth governments after the original budget was adopted. The Federal Budget for 2022/23 provided for an advance payment of approximately 75% of the estimated 2022/23 Financial Assistance grants due to councils. The early receipt in April 2022 of approximately 75% of Council's 2022/23 grant was the main reason for the variance in operating grants and contributions. Funding received from the NSW Government to assist with planning costs associated the Sydney Metro transit system and to provide support for the pandemic affected 2021 New Year's Eve arrangements also contributed to the variance.				
Capital grants and contributions	25,675	20,678	(4,997)	(19)% U
The main reason for this variance was the earlier than expected receipt of an \$11.8 million developer contribution from Sydney Metro in relation to the Crows Nest Metro Station. It was budgeted to be received in 2021/22 but was actually received in late June 2021. Offsetting this though, were other developer contributions and government grants towards a number of capital projects approved subsequent to the adoption of the budget. These included funding received under the Commonwealth Government's Local Roads and Community Infrastructure program and the NSW Government's Public Spaces Legacy program and funding received from Transport for NSW for various roads, bike and traffic facilities projects.				
Interest and investment revenue	1,182	1,368	186	16% F
Delays in the commencement and progress of a number of capital works projects resulted in an increase in the pool of surplus funds available for investment during the year. This resulted in greater than expected revenue from investment returns.				
Other income	10,729	8,032	(2,697)	(25)% U
Sydney's cooling property market resulted in a lower than expected fair value increment on Council's investment property portfolio and this was the reason for this variance.				
Expenses				
Employee benefits and on-costs	46,741	42,371	4,370	9% F
An increase in the discount rate used for valuing Council's employee leave entitlement liability resulted in a significant fall in the liability. This and position vacancies during the year, which arose from a much higher than expected rate of staff turnover, was the reason for this variance.				
Materials and services	47,178	43,811	3,367	7% F
A combination of pandemic lockdowns in the first half of the year and inclement weather throughout much of the year				

continued on next page ...

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B4-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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caused delays in some infrastructure maintenance programs and this was the main reason for this variance. Lower than expected costs incurred in the collection and disposal of domestic waste also contributed to the variance.

Borrowing costs	1,059	559	500	47%	F
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In late April 2022, Council borrowed \$31 million to partially fund the redevelopment of North Sydney Olympic Pool. The funds were drawn down much later than expected. This resulted in lower borrowing costs for the year and was the reason for this variance.

Depreciation, amortisation and impairment of non-financial assets	23,199	28,260	(5,061)	(22)%	U
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A \$4.5 million unbudgeted decrement on the revaluation of land improvement infrastructure assets was the main reason for this variance.

Other expenses	3,236	2,709	527	16%	F
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Recent natural disasters have resulted in an increase in the Emergency Services Levy imposed on councils to assist in funding the cost of emergency services across NSW. To ensure that these costs are not passed on to ratepayers, the NSW Government have provided funding to councils cover the additional cost of the 2022/23 levy. North Sydney Council's share was received in late June and was, therefore, offset against the cost of the 2021/22 levy. This was the main reason for this variance.

Net losses from disposal of assets	34	533	(499)	(1,468)%	U
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During the year, roads and footpath assets with a carrying value of \$1.267 million were renewed. While the resulting write-off was offset by a \$734,000 gain from the disposal of plant and equipment, overall the disposal of assets resulted in a net loss of \$533,000. This was greater than forecast and was the reason for this variance.

Statement of cash flows

Cash flows from operating activities	56,960	44,214	(12,746)	(22)%	U
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The major contributing factor to the negative variance for cash flows from operating activities was the aforementioned earlier than expected receipt of an \$11.8 million developer contribution from Sydney Metro in relation to the Crows Nest Metro Station. This contribution was budgeted to be received in 2021/22 but was actually received in late June 2021. The later than expected commencement of a new contract for advertising on Council infrastructure and revenue shortfalls due to pandemic lockdowns in the first half of the financial year resulted in lower than forecast cash inflows. However, this was offset by lower cash outflows resulting from staff vacancies and delays in infrastructure maintenance programs due to pandemic lockdowns and inclement weather.

Cash flows from investing activities	(79,617)	(44,703)	34,914	(44)%	F
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There have been delays in the commencement and progress of a number of capital projects (most notably the redevelopment of North Sydney Olympic Pool) due to pandemic lockdowns, inclement weather, contractor availability and supply chain issues. This has resulted in lower than forecast cash outflows from investing activities and this favourable budget variance.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,518	25,025
Cash equivalent assets		
– Deposits at call	33,053	159
– Short-term deposits	20,000	–
Total cash and cash equivalents	54,571	25,184

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	2022	2021
Financial assets at fair value through the profit and loss		
NCD's, FRN's (with maturities > 3 months)	11,642	11,995
Total	11,642	11,995
Debt securities at amortised cost		
Long term deposits	77,250	74,000
Total	77,250	74,000
Total financial investments	88,892	85,995
Total cash assets, cash equivalents and investments	143,463	111,179

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	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	143,463	111,179
Less: Externally restricted cash, cash equivalents and investments	<u>(81,297)</u>	<u>(52,527)</u>
Cash, cash equivalents and investments not subject to external restrictions	62,166	58,652
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>6,247</u>	10,526
External restrictions – included in liabilities	6,247	10,526
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	31,802	32,333
Domestic waste management	10,081	8,360
Environment levy	1,546	988
Mainstreet levies	403	96
Stormwater management	2	–
Unspent borrowings - North Sydney Olympic Pool redevelopment	31,000	–
Waste and sustainability improvement funds	93	53
Other specific purpose contributions	<u>123</u>	171
External restrictions – other	75,050	42,001
Total external restrictions	81,297	52,527

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	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	62,166	58,652
Less: Internally restricted cash, cash equivalents and investments	<u>(53,326)</u>	<u>(52,500)</u>
Unrestricted and unallocated cash, cash equivalents and investments	8,840	6,152

Internal allocations

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

Capital works	25,395	17,424
Community housing – capital purchases	963	963
Community housing – major maintenance	248	132
Deposits, retentions and bonds	12,623	12,715
Employees leave entitlement	7,220	7,905
I.T. hardware and software	643	516
Income producing projects	757	740
Insurance	80	62
Olympic Pool Redevelopment	3,004	9,920
Plant and vehicle replacement	<u>2,393</u>	<u>2,123</u>
Total internal allocations	53,326	52,500

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

Unrestricted and unallocated cash, cash equivalents and investments	8,840	6,152
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C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	1,607	378	1,470	276
Interest and extra charges	54	107	42	98
User charges and fees	2,012	–	2,390	–
Accrued revenues				
– Interest on investments	616	–	732	–
– Other income accruals	1,230	–	1,000	–
Government grants and subsidies	2,054	–	3,447	–
Net GST receivable	1,251	–	1,075	–
Outstanding infringements	882	–	882	–
Other debtors	12	20	17	18
Total	9,718	505	11,055	392
Less: provision for impairment				
User charges and fees	(688)	–	(873)	–
Total provision for impairment – receivables	(688)	–	(873)	–
Total net receivables	9,030	505	10,182	392

C1-4 Receivables (continued)

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 9)	873	294
+ new provisions recognised during the year	84	605
– amounts already provided for and written off this year	–	(26)
– amounts provided for but recovered during the year	(269)	–
Balance at the end of the year	688	873

Accounting policy

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

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

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

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, 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	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
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
Land:														
– Operational land	189,131	–	189,131	–	–	–	–	–	–	–	78,594	267,725	–	267,725
– 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
Infrastructure:														
– Buildings – non-specialised	1,458	(488)	970	46	–	–	(31)	–	–	–	153	1,736	(598)	1,138
– 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	232,671	(111,626)	121,045	3,543	848	–	(3,557)	–	231	–	16,753	269,849	(130,986)	138,863
Other assets:														
– 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
Total infrastructure, property, plant and equipment	1,616,868	(458,674)	1,158,194	33,380	10,797	(1,576)	(23,528)	(4,469)	–	(2,479)	186,409	1,887,196	(530,468)	1,356,728

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount
\$ '000														
Capital work in progress	12,226	–	12,226	6,365	2,123	–	–	–	(3,528)	–	–	17,186	–	17,186
Plant and equipment	17,599	(11,002)	6,597	1,079	385	(205)	(2,221)	–	291	–	–	18,262	(12,336)	5,926
Office equipment	19,640	(17,471)	2,169	143	83	–	(879)	–	865	–	–	20,731	(18,350)	2,381
Furniture and fittings	8,939	(6,354)	2,585	41	–	(26)	(507)	–	–	–	–	8,872	(6,779)	2,093
Land:														
– Operational land	153,661	–	153,661	–	–	–	–	–	–	35,470	–	189,131	–	189,131
– Community land	104,825	–	104,825	–	–	–	–	–	–	(1,944)	7,443	110,324	–	110,324
– Crown land	51,503	–	51,503	–	–	–	–	–	–	1,944	2,400	55,847	–	55,847
Land improvements – depreciable	15,191	(3,340)	11,851	227	71	–	(443)	–	17	–	–	15,506	(3,783)	11,723
Infrastructure:														
– Buildings – non-specialised	1,441	(457)	984	16	–	–	(30)	–	–	–	–	1,458	(488)	970
– Buildings – specialised	209,414	(82,237)	127,177	683	1,004	(23)	(2,778)	–	301	3,490	–	209,468	(79,614)	129,854
– Other structures	2,570	(200)	2,370	–	–	–	(54)	(1,305)	–	–	–	1,146	(135)	1,011
– Roads	352,219	(100,055)	252,164	4,683	1,672	(652)	(5,975)	–	527	–	–	357,397	(104,978)	252,419
– Footpaths	117,860	(38,773)	79,087	4,488	1,159	(651)	(3,191)	–	952	–	–	123,241	(41,397)	81,844
– Stormwater drainage	201,754	(56,627)	145,127	2,561	155	–	(1,953)	–	83	–	–	204,553	(58,580)	145,973
– Swimming pools	22,488	(16,541)	5,947	–	–	–	(2,791)	–	–	–	–	7,547	(4,391)	3,156
– Other open space/recreational assets	25,799	(8,257)	17,542	810	760	–	(1,259)	–	240	–	–	27,610	(9,517)	18,093
– Other infrastructure	229,239	(108,156)	121,083	2,994	188	–	(3,469)	–	249	–	–	232,671	(111,626)	121,045
Other assets:														
– Heritage collections	2,438	(987)	1,451	106	4	–	(42)	–	3	–	6,791	13,775	(5,462)	8,313
– Library books	2,326	(1,357)	969	300	–	–	(364)	–	–	–	–	2,143	(1,238)	905
Total infrastructure, property, plant and equipment	1,551,132	(451,814)	1,099,318	24,496	7,604	(1,557)	(25,956)	(1,305)	–	38,960	16,634	1,616,868	(458,674)	1,158,194

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

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

Accounting policy

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.

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

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

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

Plant and equipment	Years	Buildings	Years
Office equipment	3 to 10	Buildings	25 to 150
Computer equipment	3 to 8	Building components	
Furniture	5 to 10	Substructure	60 to 200
Vehicles	5	Superstructure	60 to 200
Other plant and equipment	5 to 10	Roof cladding	50 to 60
		Finishes	25 to 30
		Fittings	25 to 30
Transportation assets	Years	Mechanical services	30 to 40
Sealed roads: surface	18 to 40	Other services	50 to 60
Sealed roads: structure	60 to 100		
Sealed roads: formation	200	Other sport and recreation assets	Years
Kerb and gutter	34 to 67	Playgrounds	15
Footpaths	10 to 60	Sports lighting	55
Traffic facilities	70	Park furniture	15 to 100
Street furniture	15 to 90	Sport and fitness	5 to 55
Bus shelters	50	Swimming pools	20 to 200
Stormwater drainage assets	Years	Depreciable land improvements	Years
Drainage pipes	70 to 100	Depreciable land improvements	5 to 100
Drainage pits	80		
Culverts	70 to 100	Other	Years
Gross pollutant traps	40 to 50	Other Structures	25 to 50
		Library collection	5
Other infrastructure	Years	Heritage collection	10 to 100
Lighting	20 to 35		
Seawalls	110		
Marine structures	25 to 50		
Fences	20 to 80		
Retaining walls	90		

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.

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

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	2022	2021
At fair value		
Opening balance at 1 July	54,786	92,758
Capitalised subsequent expenditure	132	75
Net gain/(loss) from fair value adjustments	2,769	913
Transfers from/(to) owner-occupied property (Note C1-5)	-	(38,960)
Closing balance at 30 June	57,687	54,786

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 2022, 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
2022		
Opening balance at 1 July	2,102	2,102
Depreciation charge	(263)	(263)
Balance at 30 June	1,839	1,839
2021		
Opening balance at 1 July	2,365	2,365
Depreciation charge	(263)	(263)
Balance at 30 June	2,102	2,102

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	303	1,617	303	1,860
Total lease liabilities	303	1,617	303	1,860

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
2022					
Cash flows	303	1,211	606	2,120	1,920
2021					
Cash flows	303	1,211	909	2,423	2,163

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	60	67
Depreciation of right of use assets	263	263
	323	330

(e) Statement of Cash Flows

Total cash outflow for leases (principal and interest)	303	303
	303	303

(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	2022	2021
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(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)	4,243	5,011
Total income relating to operating leases for investment property assets	4,243	5,011

Operating lease expenses

Direct operating expenses that generated rental income	1,012	2,082
Total expenses relating to operating leases	1,012	2,082

(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)	1,016	1,031
Total income relating to operating leases for Council assets	1,016	1,031

C2-2 Council as a lessor (continued)

Reconciliation of IPPE assets leased out as operating leases

\$ '000	Plant & Equipment 2022	Plant & Equipment 2021
Opening balance as at 1 July	1,426	1,939
Additions renewals	943	193
Carrying value of disposals	(290)	(138)
Depreciation expense	(541)	(567)
Closing balance as at 30 June	1,538	1,427
\$ '000	2022	2021

(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	4,312	4,043
1–2 years	3,097	3,113
2–3 years	2,325	1,955
3–4 years	1,861	1,469
4–5 years	1,222	1,243
> 5 years	8,288	9,295
Total undiscounted lease payments to be received	21,105	21,118

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	2022		2021	2021
	Current	Non-current	Current	Non-current
Prepaid rates	696	–	952	–
Goods and services	7,562	–	8,906	–
Accrued expenses:				
– Borrowings	270	–	49	–
– Salaries and wages	1,300	–	1,140	–
– Other expenditure accruals	2,751	–	279	–
Security bonds, deposits and retentions	12,623	–	12,715	–
Other	503	–	486	–
Total payables	25,705	–	24,527	–

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	8,618	8,700
Total payables	8,618	8,700

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets) ⁱ	(i)	5,621	-	10,214	-
Unexpended operating grants (received prior to performance obligation being satisfied) ⁱⁱ	(ii)	626	-	312	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	3	-	-	-
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	120	-	171	-
Total grants received in advance		6,370	-	10,697	-
User fees and charges received in advance:					
DA Compliance Levy ⁱⁱⁱ	(iii)	662	-	1,405	-
Hoarding Permit fees	(iii)	649	-	534	-
Outdoor Dining fees	(iii)	197	-	56	-
Work Zone Permit fees	(iii)	748	-	968	-
Rental income - investment properties	(iii)	180	-	171	-
Rental income - other	(iii)	44	-	66	-
Total user fees and charges received in advance		2,480	-	3,200	-
Total contract liabilities		8,850	-	13,897	-

(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	6,247	-	10,526	-
Unspent contributions held as contract liabilities	123	-	171	-
Contract liabilities relating to externally restricted assets	6,370	-	10,697	-
Total contract liabilities relating to restricted assets	6,370	-	10,697	-
Total contract liabilities relating to unrestricted assets	2,480	-	3,200	-
Total contract liabilities	8,850	-	13,897	-

C3-2 Contract Liabilities (continued)

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	6,128	3,358
Operating grants (received prior to performance obligation being satisfied)	148	177
Operating contributions (received prior to performance obligation being satisfied)	171	252
User fees and charges received in advance:		
DA Compliance Levy	874	–
Hoarding Permit fees	534	123
Outdoor Dining fees	56	110
Swimming Centre fees	–	128
Work Zone Permit fees	968	254
Rental income - investment properties	171	142
Rental income - other	22	22
Other	–	38
Total revenue recognised that was included in the contract liability balance at the beginning of the period	9,072	4,604

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	2022		2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	1,927	35,446	881	6,373
Total borrowings	1,927	35,446	881	6,373

(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.

(a) Changes in liabilities arising from financing activities

\$ '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
Total liabilities from financing activities	9,417	29,876	–	–	–	–	39,293

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,100	(846)	–	–	–	–	7,254
Lease liability (Note C2-1b)	2,399	(236)	–	–	–	–	2,163
Total liabilities from financing activities	10,499	(1,082)	–	–	–	–	9,417

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	350	350
Total financing arrangements	850	850
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	350	350
Total undrawn financing arrangements	850	850

(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

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

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

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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	4,420	–	4,259	–
Sick leave	34	–	37	–
Long service leave	6,773	218	7,789	249
Gratuities	2,945	–	3,423	–
Other leave – RDO's	51	–	52	–
Total employee benefit provisions	14,223	218	15,560	249

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	9,479	10,818
	9,479	10,818

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	54,571	25,184	54,571	25,184
Receivables	9,535	10,574	9,440	10,574
Investments				
– Debt securities at amortised cost	77,250	74,000	77,250	74,000
Fair value through profit and loss				
Investments				
– Held for trading	11,642	11,995	11,642	11,995
Total financial assets	152,998	121,753	152,903	121,753
Financial liabilities				
Payables	25,705	24,527	23,718	24,527
Loans/advances	37,373	7,254	37,373	7,254
Total financial liabilities	63,078	31,781	61,091	31,781

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.

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,437	899
Impact of a 10% movement in price of investments		
– Equity / Income Statement	264	1,111

(b) Credit risk

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

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

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	
2022				
Gross carrying amount	1,437	481	67	1,985
2021				
Gross carrying amount	1,470	218	58	1,746

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	
2022						
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%
ECL provision	–	–	35	40	613	688
2021						
Gross carrying amount	7,621	459	254	367	1,000	9,701
Expected loss rate (%)	0.00%	0.00%	44.61%	45.45%	59.26%	9.00%
ECL provision	–	–	113	167	593	873

(c) Liquidity risk ¹

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		
2022							
Payables	0.05%	12,623	11,095	–	–	23,718	25,705
Borrowings	4.20%	–	1,927	8,546	26,900	37,373	37,373
Total financial liabilities		12,623	13,022	8,546	26,900	61,091	63,078
2021							
Payables	0.05%	12,715	11,812	–	–	24,527	24,527
Borrowings	4.02%	–	881	3,893	2,480	7,254	7,254
Total financial liabilities		12,715	12,693	3,893	2,480	31,781	31,781

(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	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		11,642	11,995	–	–	11,642	11,995
Total financial assets		11,642	11,995	–	–	11,642	11,995
Investment property							
Investment properties	C1-6	57,687	54,786	–	–	57,687	54,786
Total investment property		57,687	54,786	–	–	57,687	54,786
Infrastructure, property, plant and equipment							
Plant and equipment	C1-5	–	–	5,642	5,926	5,642	5,926
Office equipment		–	–	1,977	2,381	1,977	2,381
Furniture and fittings		–	–	1,731	2,093	1,731	2,093
Operational land		25,847	102,857	241,878	86,274	267,725	189,131
Community land		–	–	124,792	110,324	124,792	110,324
Crown land		–	–	61,878	55,847	61,878	55,847
Land improvements – depreciable		–	–	4,459	11,723	4,459	11,723
Buildings – non-specialised		990	832	148	138	1,138	970
Buildings – specialised		43	42	147,474	129,812	147,517	129,854
Other structures		–	–	998	1,011	998	1,011
Roads		–	–	278,246	252,419	278,246	252,419
Footpaths		–	–	87,588	81,844	87,588	81,844
Stormwater drainage		–	–	165,045	145,973	165,045	145,973
Swimming pools		–	–	3,081	3,156	3,081	3,156
Other open space/recreation assets		–	–	19,188	18,093	19,188	18,093
Other infrastructure assets		–	–	138,863	121,045	138,863	121,045
Heritage collections		–	–	8,218	8,313	8,218	8,313
Library books		–	–	870	905	870	905
Total infrastructure, property, plant and equipment		26,880	103,731	1,292,076	1,037,277	1,318,956	1,141,008

continued on next page ...

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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)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational Land		Community Land and Crown Land		Land improve-ments depreciable		Buildings non specialised	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	5,926	6,597	2,381	2,169	2,093	2,585	86,274	86,274	166,171	156,328	11,723	11,851	138	148
Transfers from level 2	-	-	-	-	-	-	93,910	-	-	-	-	-	-	-
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	-	-	-	-	-	-	61,694	-	18,195	9,843	(2,479)	-	20	-
Other movements														
Purchases (GBV)	2,034	1,755	529	1,091	111	41	-	-	2,304	-	24	315	-	-
Disposals (WDV)	(309)	(205)	-	-	-	(26)	-	-	-	-	-	-	-	-
Depreciation and impairment	(2,009)	(2,221)	(933)	(879)	(473)	(507)	-	-	-	-	(4,809)	(443)	(10)	(10)
Closing balance	5,642	5,926	1,977	2,381	1,731	2,093	241,878	86,274	186,670	166,171	4,459	11,723	148	138

\$ '000	Building specialised		Other structures		Roads		Footpaths		Stormwater drainage		Swimming pools		Open space / recreation assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	129,812	127,130	1,011	2,370	252,419	252,164	81,844	79,087	145,973	145,127	3,156	5,947	18,093	17,542
Transfers from level 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	19,780	-	-	-	25,937	-	6,899	-	18,576	-	-	-	1,516	-
Other movements														
Transfers from/(to) another asset class	-	3,490	-	-	-	-	-	-	-	-	-	-	-	-
Purchases (GBV)	654	1,988	-	-	6,854	6,882	2,659	6,599	2,477	2,799	-	-	948	1,810
Disposals (WDV)	-	(23)	-	-	(848)	(652)	(419)	(651)	-	-	-	-	-	-
Depreciation and impairment	(2,772)	(2,773)	(13)	(1,359)	(6,116)	(5,975)	(3,395)	(3,191)	(1,981)	(1,953)	(75)	(2,791)	(1,369)	(1,259)
Closing balance	147,474	129,812	998	1,011	278,246	252,419	87,588	81,844	165,045	145,973	3,081	3,156	19,188	18,093

D2-1 Fair value measurement (continued)

\$ '000	Other infrastructure assets		Heritage collection		Library books		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	121,045	121,083	8,313	1,451	905	969	1,037,277	1,018,822
Transfers from level 2	-	-	-	-	-	-	93,910	-
Recognised in other comprehensive income – revaluation surplus	16,753	-	-	6,791	-	-	166,891	16,634
Transfers from/(to) another asset class	-	-	-	-	-	-	-	3,490
Purchases (GBV)	4,622	3,431	22	113	307	300	23,545	27,124
Disposals (WDV)	-	-	-	-	-	-	(1,576)	(1,557)
Depreciation and impairment	(3,557)	(3,469)	(117)	(42)	(342)	(364)	(27,971)	(27,236)
Closing balance	138,863	121,045	8,218	8,313	870	905	1,292,076	1,037,277

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

* For 180 point members, employers were required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8% in 2022/23 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 \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

(b) Description of the extent to which Council can be liable to the plan for other 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 Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$589,974.42. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$283,574.96. Council's expected contribution to the plan for the next annual reporting period is \$347,759.76.

D3-1 Contingencies (continued)

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

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

* Plus promotional increases

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

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 2022.

(ii) Statewide Limited

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

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

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 2022, there were twenty-four (24) Land and Environment Court matters and two (2) 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.

D3-1 Contingencies (continued)

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

- Claims for Contract Variations for North Sydney Olympic Pool redevelopment.

\$0.8 million of contract variation claims received before the reporting date and \$10.4 million of contract variation claims received after the reporting date are pending resolution. Management has not accepted the claims, and they are subject to further professional analysis and critique. No balance has been recorded for these pending claims. Note F3-1 Events Occurring After the reporting date provides further context regarding this matter

- *Project Cost Increase Report* for North Sydney Olympic Pool redevelopment.

Council has received a *Project Cost Increase Report* from the construction contractor listing potential cost increases for North Sydney Olympic Pool. Council has engaged external experts to analyse and critique the report and it is therefore pending resolution. No balance has been recorded for this pending item. Note F3-1 Events Occurring After the reporting date provides further context regarding this matter

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	2022	2021
Compensation:		
Short-term benefits (salaries, Mayoral Allowance, Councillors fees)	2,431	2,397
Post-employment benefits (superannuation)	163	149
Other long-term benefits (increase in employee leave entitlements)	81	30
Total	2,675	2,576

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	61	68
Councillors' fees	250	258
Other Councillors' expenses (including Mayor)	58	7
Total	369	333

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	83	85
Remuneration for audit and other assurance services	83	85
Total Auditor-General remuneration	83	85
Total audit fees	83	85

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	23,470	23,712
Add / (less) non-cash items:		
Depreciation and amortisation	23,791	26,219
(Gain) / loss on disposal of assets	533	1,155
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	65	(94)
– Investment property	(2,769)	(913)
– Revaluation decrements / impairments of IPP&E direct to P&L	4,469	1,305
Share of net (profits)/losses of associates/joint ventures using the equity method	(4)	(8)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	1,224	(4,424)
Increase / (decrease) in provision for impairment of receivables	(185)	579
(Increase) / decrease of inventories	(3)	(4)
(Increase) / decrease of other current assets	385	(576)
Increase / (decrease) in payables	(1,344)	135
Increase / (decrease) in accrued interest payable	221	(5)
Increase / (decrease) in other accrued expenses payable	1,107	(52)
Increase / (decrease) in other liabilities	(331)	2,434
Increase / (decrease) in contract liabilities	(5,047)	4,610
Increase / (decrease) in employee benefit provision	(1,368)	(1,328)
Net cash flows from operating activities	44,214	52,745

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,086	3,593
Computer equipment	–	1
Computer software	–	102
Infrastructure	6,926	6,248
Library books	24	12
Other structures	18	1,931
North Sydney Olympic Pool Redevelopment	31,906	–
Plant and equipment	1,414	73
Total commitments	41,374	11,960
These expenditures are payable as follows:		
Within the next year	41,374	11,960
Total payable	41,374	11,960
Sources for funding of capital commitments:		
Unrestricted general funds	23	19
Section 7.11 and 64 funds/reserves	815	523
Unexpended grants	2,833	4,391
Externally restricted reserves	32,732	34
Internally restricted reserves	4,971	6,993
Total sources of funding	41,374	11,960

Details of capital commitments

Council has committed to a number of major capital projects, the most notable being the redevelopment of the North Sydney Olympic Pool complex, Hume Street Plaza open space expansion and the design of the proposed Holtermann Street Car Park redevelopment in Crows Nest.

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 12/12/2022

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 North Sydney Olympic Pool redevelopment.

\$10.4 million of variation claims have been received after reporting date. The majority of these claims are still under assessment. Management is unable to estimate the financial impact of these claims until expert analysis and further discussions with the contractor are complete.

Separate to the above claims, Council accrued \$0.5 million at the reporting date for claims that had been endorsed by Management for work that had been completed by the contractor before 30/06/22.

Project Cost Increase Report for North Sydney Olympic Pool redevelopment.

Council has received a *Project Cost Increase Report* from the construction contractor listing potential cost increases for North Sydney Olympic Pool. Management has engaged external experts for analysis and critique of this report. Council is unable to finalise the assessment of these costs, or any potential financial impact, until this analysis and further discussion with the building contractor is complete.

F4 Statement of developer contributions as at 30 June 2022

F4-1 Summary of developer contributions

	Opening balance at 1 July 2021 Restated	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
\$ '000								
Active Transport	354	20	-	1	(309)	-	66	-
Administration	813	11	-	2	-	-	826	-
Affordable Housing	3,437	-	-	9	-	-	3,446	-
Community facilities	1,951	97	-	5	(124)	-	1,929	-
Open Space and Recreation	7,009	664	-	16	(1,546)	-	6,143	-
Public Domain	4,896	207	-	12	(403)	-	4,712	-
S7.11 contributions – under a plan	18,460	999	-	45	(2,382)	-	17,122	-
S7.12 levies – under a plan	123	769	-	2	-	-	894	-
Total S7.11 and S7.12 revenue under plans	18,583	1,768	-	47	(2,382)	-	18,016	-
S7.4 planning agreements	13,750	-	-	36	-	-	13,786	-
Total contributions	32,333	1,768	-	83	(2,382)	-	31,802	-

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.

F4-2 Developer contributions by plan

	Opening balance at 1 July 2021 Restated	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
\$ '000								
NORTH SYDNEY PLAN 2004								
Affordable Housing	3,437	-	-	9	-	-	3,446	-
Total	3,437	-	-	9	-	-	3,446	-
NORTH SYDNEY PLAN 2020								
Active transport	354	20	-	1	(309)	-	66	-
Administration	813	11	-	2	-	-	826	-
Community facilities	1,951	97	-	5	(124)	-	1,929	-
Open space and recreation	7,009	664	-	16	(1,546)	-	6,143	-
Public Domain	4,896	207	-	12	(403)	-	4,712	-
Total	15,023	999	-	36	(2,382)	-	13,676	-
S7.12 Levies – under a plan								
NORTH SYDNEY PLAN 2020								
Other	123	769	-	2	-	-	894	-
Total	123	769	-	2	-	-	894	-

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,908	4.15%	1.30%	(6.59)%	3.35%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	118,262					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	111,864	80.51%	79.19%	89.80%	83.98%	> 60.00%
Total continuing operating revenue	138,940					
3. Unrestricted current ratio						
Current assets less all external restrictions	71,805	2.71x	2.82x	2.82x	3.45x	> 1.50x
Current liabilities less specific purpose liabilities	26,541					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation, amortisation and impairment ¹	29,258	17.38x	19.32x	15.24x	27.62x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,683					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	2,146	2.94%	2.78%	2.90%	2.05%	< 5.00%
Rates and annual charges collectable	73,111					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	131,821	15.39 months	11.55 months	9.50 months	8.74 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	8,563					

(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

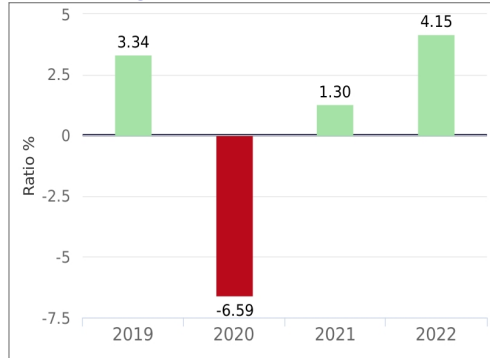
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

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 2021/22 result

2021/22 ratio 4.15%

A further improvement in the operating surplus has resulted in the benchmark for this ratio being achieved again in 2021/22. Excluding capital grants and contributions, fair value adjustments and net losses from the disposal of assets from the net operating result, the surplus for the year was \$4.9 million.

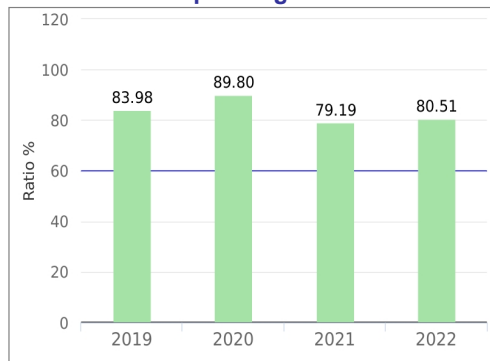
Benchmark: — > 0.00%

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 2021/22 result

2021/22 ratio 80.51%

This ratio comfortably achieved the benchmark and has done so for many years. 80.51% of Council's operating revenue was derived from internal funding sources, i.e. other than from grants and contributions. This reliance on internal funding sources such as rates and user charges provides Council with a more than adequate level of fiscal flexibility.

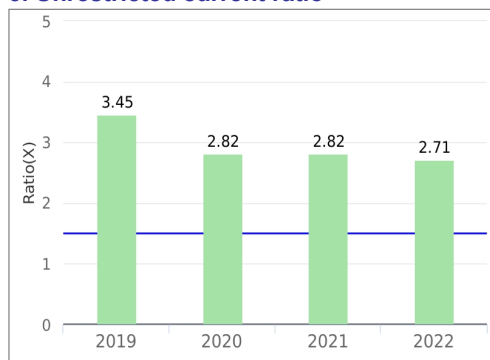
Benchmark: — > 60.00%

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 2021/22 result

2021/22 ratio 2.71x

This ratio comfortably achieved the benchmark and has done so for many years. This is a reflection of Council's ongoing capacity to meet its obligations for its unrestricted activities in the short term. As at 30 June 2022, for every \$1.00 of current liabilities to be funded from unrestricted or internally restricted cash, \$2.71 was available.

Benchmark: — > 1.50x

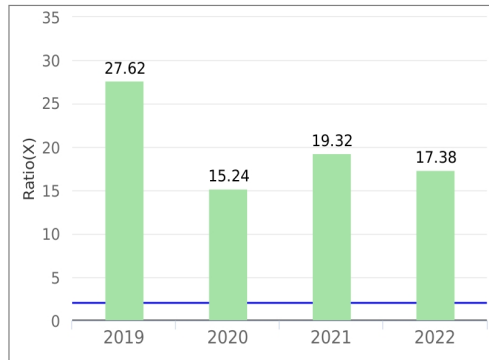
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 17.38x

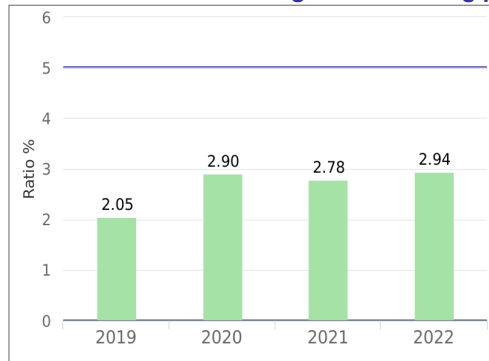
This ratio has achieved the benchmark every year since Council commenced a controlled borrowing program in 2015/16 to assist in funding some urgent infrastructure renewal projects. Excluding non-cash items such as fair value adjustments, depreciation and net losses from the disposal of assets from the 2021/22 operating result, there were sufficient funds to cover the annual interest on borrowings 17.38 times.

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 2021/22 result

2021/22 ratio 2.94%

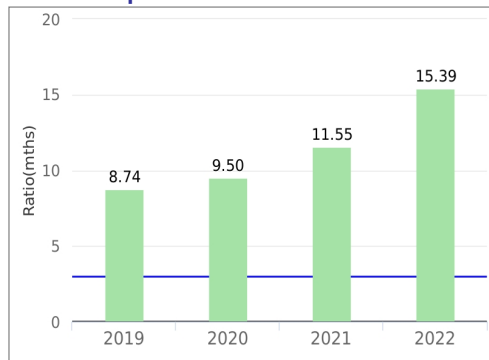
This ratio has been slightly higher in the three years due to the impact of the pandemic. Nevertheless, it still comfortably achieved the benchmark and this a reflection of the ongoing effectiveness of Council's recovery efforts.

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 2021/22 result

2021/22 ratio 15.39 months

This ratio comfortably achieved the benchmark and has done so for many years. At 30 June 2022, in the absence of any additional cash flows, Council has sufficient cash and funds invested in term deposits which could be redeemed should the need arise to continue paying for 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 2022

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 2022

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 2022

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



North Sydney Council

Special Schedules

for the year ended 30 June 2022

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Report on infrastructure assets as at 30 June 2022	5

North Sydney Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	51,765	55,786
Plus or minus adjustments ²	b	375	(162)
Notional general income	c = a + b	52,140	55,624
Permissible income calculation			
Or rate peg percentage	e	7.00%	2.00%
Or plus rate peg amount	i = e x (c + g)	3,650	1,112
Sub-total	k = (c + g + h + i + j)	55,790	56,736
Plus (or minus) last year's carry forward total	l	211	27
Less valuation objections claimed in the previous year	m	(153)	-
Sub-total	n = (l + m)	58	27
Total permissible income	o = k + n	55,848	56,763
Less notional general income yield	p	55,786	56,736
Catch-up or (excess) result	q = o - p	62	27
Less unused catch-up ⁵	s	(35)	-
Carry forward to next year ⁶	t = q + r + s	27	27

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)*.
- (5) Unused catch-up amounts or the rate peg balance amounts will be deducted if they are not caught up within ten years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for when setting the rates in a future year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from 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

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North Sydney Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	\$ '000					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Buildings	Buildings	622	622	2,476	2,235	148,655	244,407	66.8%	25.7%	6.0%	1.2%	0.3%
	Sub-total	622	622	2,476	2,235	148,655	244,407	66.8%	25.7%	6.0%	1.2%	0.3%
Other structures	Other structures	–	–	–	–	998	1,146	44.1%	55.9%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	998	1,146	44.1%	55.9%	0.0%	0.0%	0.0%
Roads	Sealed roads	1,086	1,086	1,160	769	205,831	288,710	35.4%	37.0%	21.9%	5.3%	0.4%
	Footpaths	494	494	1,872	1,473	72,415	110,425	32.4%	37.3%	24.0%	5.9%	0.4%
	Other road assets	533	533	137	115	87,588	112,712	23.4%	45.6%	26.7%	3.8%	0.5%
	Sub-total	2,113	2,113	3,169	2,357	365,834	511,847	32.1%	39.0%	23.4%	5.1%	0.4%
Stormwater drainage	Stormwater drainage	23,030	23,030	706	749	165,045	233,297	57.2%	29.2%	1.9%	1.8%	9.9%
	Sub-total	23,030	23,030	706	749	165,045	233,297	57.2%	29.2%	1.9%	1.8%	9.9%
Open space / recreational assets	Swimming pools	–	–	1	–	3,081	7,547	52.0%	27.4%	19.8%	0.8%	0.0%
	Other	75	75	1,002	933	19,188	31,007	37.4%	30.5%	29.5%	2.4%	0.2%
	Sub-total	75	75	1,003	933	22,269	38,554	40.3%	29.9%	27.6%	2.1%	0.2%
Other infrastructure assets	Other	7,884	7,884	1,312	1,412	138,863	269,849	12.0%	38.6%	36.0%	10.5%	2.9%
	Sub-total	7,884	7,884	1,312	1,412	138,863	269,849	12.0%	38.6%	36.0%	10.5%	2.9%
Total – all assets		33,724	33,724	8,666	7,686	841,664	1,299,100	39.2%	34.4%	19.0%	4.8%	2.6%

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

Infrastructure asset condition assessment 'key'

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

North Sydney Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	30,571					
Depreciation, amortisation and impairment	19,314	158.28%	98.35%	93.60%	121.48%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard ²	33,724					
Net carrying amount of infrastructure assets	879,436	3.83%	3.89%	4.01%	6.24%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	7,686					
Required asset maintenance	8,666	88.69%	102.57%	97.95%	95.35%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	33,724	2.60%	2.58%	2.60%	3.77%	
Gross replacement cost	1,299,100					

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

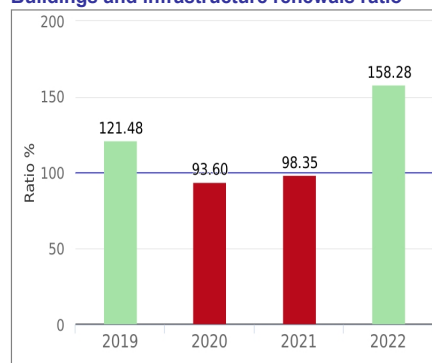
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(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 2022

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

21/22 ratio 158.28%

While government imposed pandemic restrictions, inclement weather and contractor availability resulted in infrastructure renewal expenditure being lower than forecast in 2021/22, this ratio still comfortably exceeded the benchmark. This was predominantly due to the magnitude of funds allocated to the redevelopment of North Sydney Olympic Pool.

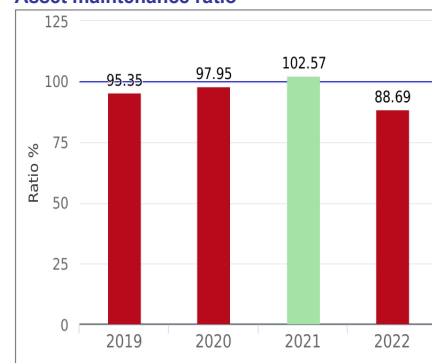
Benchmark: — $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

21/22 ratio 88.69%

A combination of government imposed pandemic restrictions, inclement weather and contractor availability resulted in asset maintenance expenditure being lower than forecast. This caused this ratio to fall below the benchmark in 2021/22. Council is committed to allocating sufficient funds to the maintenance of infrastructure in future budgets in order to prevent the backlog from increasing.

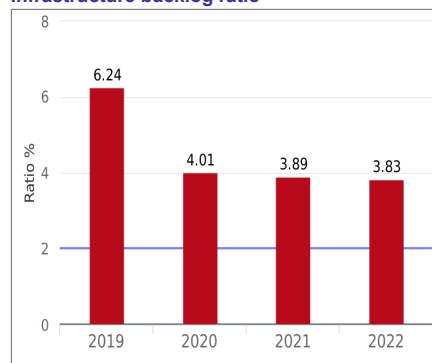
Benchmark: — $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

21/22 ratio 3.83%

While again improving slightly, this ratio remains above the benchmark. At 30 June 2022, Council's infrastructure backlog was estimated to be \$33.7 million, which represented 3.83% of the net carrying value of our infrastructure.

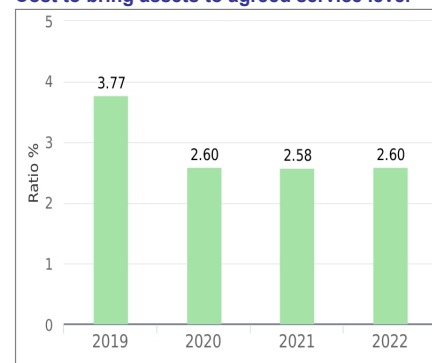
Benchmark: — $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

21/22 ratio 2.60%

As at 30 June 2022, the cost to bring Council's infrastructure assets to the community's agreed service level was estimated to be \$33.7 million. This represented 2.6% of the gross replacement cost of our infrastructure.