

## **8.5. Financial Statements for the Year Ended 30 June 2021**

**AUTHOR:** Darren Goode, Accounting Services Manager

**ENDORSED BY:** Margaret Palmer, Director Corporate Services

### **ATTACHMENTS:**

1. Annual Financial Statements 2020 21 [8.5.1 - 77 pages]

### **PURPOSE:**

To present the audited Financial Statements for the year ended 30 June 2021, which require certification and referral to the Audit Office of New South Wales.

### **EXECUTIVE SUMMARY:**

The audited Financial Statements for the year ended 30 June 2021 consist of the following sections:

- General Purpose Financial Statements; and
- Special Schedules.

The Council's Income Statement for the year ended 30 June 2021 reports a Net Operating Result for the year of \$23.7 million, in accordance with relevant accounting standards and reporting requirements. Excluding capital grants and contributions, the result was a deficit of \$507,000. The 2021 draft audited Financial Statements were presented to the Audit, Risk & Improvement Committee on 15 October 2021, together with the External Audit Engagement closing report.

The main reasons for the better than forecast result inclusive of capital grants and contributions were: -

- The receipt of an additional \$12.9 million in developer contributions in excess of that originally forecast.
- An additional \$7.8 million of capital grants in excess of that originally forecast.
- An additional \$6.7 million in revenue from user charges and fees in excess of that originally forecast.
- A \$1.3 million reduction in the provision for employee leave entitlements.
- A \$913,000 increment on revaluation of Council's investment property portfolio.

Positive Variances were offset by the following:

- \$1.3 million decrement on revaluation of the Other Structures.
- Increased depreciation charges of \$2.4 million for NSOP.
- \$605,000 increase in the provision for doubtful debts.
- An unbudgeted \$646,000 expense arising from the parking space levy.

### **FINANCIAL IMPLICATIONS:**

The 2020/21 Financial Statements disclose a net operating surplus for the year of \$23.7 million including capital grants and contributions. Excluding capital grants and contributions, the result was a deficit of \$507,000.

All outstanding audit items listed in the Engagement Closing Report have been completed.

**RECOMMENDATION:**

- 1. THAT** the attached 2021 audited Financial Statements be endorsed by Council.
- 2. THAT** Council authorise the completion of the “Statement by Councillors and Management” for the General Purpose Financial Statements.
- 3. THAT** in accordance with Section 418(1) of the Local Government Act, 1993, both the audited financial reports and the auditor’s reports on the financial statements (Section 417(2) LGA), be placed on public exhibition and reported to the Council meeting on 8 November 2021.

## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

### **5. Our Civic Leadership**

#### **5.1 Council leads the strategic direction of North Sydney**

## **BACKGROUND**

The Financial Statements for the year ending 30 June 2021 have been prepared in accordance with:

- Section 413 of the Local Government Act, 1993;
- The Local Government Act 1993 (as amended) and the Regulations made there under;
- The Australian Accounting Standards and professional pronouncements; and
- The Local Government Code of Accounting Practice and Financial Reporting.

The Draft Financial Statements were provided to the external auditors on 2 September 2021. Following the completion of the external audit, the Council received on 12 October 2021 the Closing Engagement Report on the final audited Financial Statements (Attachment 1). The Financial Statements for the year ending 30 June 2021 were reviewed by the Audit, Risk & Improvement Committee on 15 October 2021. In accordance with the end of financial year audit process, Council is required to sign the "Statement by Councillors and Management" prior to the Audit Office providing the signed Independent Auditor's report and the report on the Conduct of the audit. The completed Financial Statements are to be forwarded to the Office of Local Government by 31 October 2021 and placed on public exhibition.

## **CONSULTATION REQUIREMENTS**

Community Engagement is not required.

## **DETAIL**

### **Net Operating Result**

The net operating result including capital grants and contributions for the year ended 30 June 2021 was a \$23.7 million surplus. The original budget forecast a surplus of \$1 million and the revised budget at the end of the March quarter forecast a surplus of \$2.3 million.

Excluding capital grants and contributions, the result was a deficit of \$507,000. The original budget forecast a deficit of \$2.4 million and the revised budget at the end of the March quarter forecast a deficit of \$10 million.

The main reasons for the better than forecast result inclusive of capital grants and contributions were:

- The receipt of an additional \$12.9 million in developer contributions in excess of that originally forecast. \$11.8 million of this was a contribution received from Sydney Metro under a voluntary planning agreement in relation to the over-station development at Crows Nest. This contribution was expected to be received in early July 2021 but was actually received in late June 2021.
- An additional \$7.8 million of capital grants in excess of that originally forecast. The most significant of these are to contribute to the funding of the redevelopment of North Sydney Olympic Pool, Hume Street Plaza at Crows Nest, acquisition of the former Quarantine Boat Depot at Waverton and streetscape upgrades along the Military Road corridor at Cremorne and Neutral Bay.
- An additional \$6.7 million in revenue from user charges and fees in excess of that originally forecast. In preparing the budget a conservative approach was taken when estimating revenue due to the potential ongoing impact of pandemic restrictions and it was assumed that the pool would be closed for redevelopment from 1 July 2021. Approximately half of the \$6.7 million variance can be attributed to on and off-street parking fees and further \$625,000 to unbudgeted pool fees.
- A \$1.3 million reduction in the provision for employee leave entitlements as a result of the retirement of some long serving employees and a concerted effort to reduce untaken leave.
- A \$913,000 increment on revaluation of Council's investment property portfolio.

These positive variances were offset by:

- a \$1.3 million decrement on revaluation of the Other Structures class of infrastructure assets;
- increased depreciation charges of \$2.4 million incurred upon the reassessment of the useful life of North Sydney Olympic Pool prior to its closure for redevelopment;
- a \$605,000 increase in the provision for doubtful debts, the majority of which relates to property rental;
- an unbudgeted \$646,000 expense arising from the parking space levy imposed by the State government on the Ward Street Car Park, which Council resumed the operation of from Wilson Parking in August 2020.

## **Capital Expenditure**

During the year, \$32.2 million was spent on capital projects. Of this amount, \$24.5 million was spent on the renewal of existing infrastructure, property, plant, and equipment and \$7.6 million was spent on the acquisition of new infrastructure, property, plant, and equipment. A further \$75,000 was spent on the refurbishment of investment properties.

## **Year-end Cash Position**

As at 30 June 2021, cash and investments totaled \$111.2 million, an increase of \$20 million from the previous year. This was largely due to the receipt of additional developer contributions. Of the \$111.2 million, \$52.5 million was externally restricted (mainly unspent developer contributions and specific purpose grants) and \$58.7 million was either internally restricted or unrestricted.

Of the \$58.7 million of internally restricted or unrestricted cash:

- \$15.3 million is required to fund projects still in progress at 30 June 2021;
- \$12.7 is deposits, bonds and retentions held;
- \$7.9 million represents the funding of 50% of the employee leave entitlements liability;
- \$2.1 million is set aside to fund the replacement of plant and motor vehicles;
- \$1.1 million is set aside to fund the refurbishment of community housing properties.

The remaining \$19.6 million is available working capital or potentially available to fund future capital works projects.

## **Change in Accounting Policy**

During the year, Council completed a revaluation of the Land Improvements asset class. Guidance from the Institute of Public Works Engineering Australasia (IPWEA) practice note *10.2 Parks Asset Management Renewal Planning, Valuation and Asset Management Plans* was considered as part of this exercise. The IPWEA practice note emphasises cost benefit as well as the level of service provided by an asset and its importance to service delivery as important considerations in determining whether a valuation is worthwhile.

Based on this guidance, the valuation covered Council's iconic parks and high amenity sites, sports fields, community gardens, landscaped traffic facilities and street planter boxes and gardens. These classifications represent Council land improvements assets that provide a high level of service, are critical to service provision and require material renewal expenditure from time to time.

As a result of the scope of the valuation, some expenditure that had been capitalised as land improvements assets in accordance with Council’s accounting policies at the time it was incurred was not captured in the valuation. This included expenditure related to:

- earthworks, clearing and preparation at some high amenity sites that is not relevant to renewal planning;
- trees that are managed as part of Council’s ordinary operating activities; and
- landscaping works in neighbourhood parks.

The impact of the revised scope applied to the valuation was a \$8.6m decrement and this has been accounted for by restating the balances at the beginning of the earliest period presented (i.e., 1 July 2019) and taking the adjustment through to the accumulated surplus at that date.

### **Financial Performance Measures**

Council met or bettered the industry benchmark for all six of the performance ratios included in the Code of Accounting Practice. They are summarised in the following table:

<b>Financial Performance Measure</b>	<b>Result</b>	<b>Benchmark</b>
Operating Performance Ratio	1.32%	> 0%
Own Source Operating Revenue Ratio	78.06%	> 60%
Unrestricted Current Ratio	2.88x	> 1.5x
Debt Service Cover Ratio	19.34x	> 2x
Rates and Annual Charges Outstanding Percentage	2.78%	< 5%
Cash Expense Cover Ratio	11.54 months	> 3 months

### **Infrastructure Management Measures**

Council fell just short of meeting the benchmark for the Buildings and Infrastructure Renewals Ratio, met the Asset Maintenance Ratio and failed to meet the Infrastructure Backlog Ratio. The estimated cost to bring infrastructure assets to the agreed service level as a percentage of the gross replacement cost of those assets was 2.58%. The infrastructure management ratios are summarised in the following table:

<b>Infrastructure Management Measure</b>	<b>Result</b>	<b>Benchmark</b>
Buildings and Infrastructure Renewals Ratio	98.35%	> = 100%
Asset Maintenance Ratio	102.57%	> = 100%
Infrastructure Backlog Ratio	3.89%	< 2%
Cost to bring assets to agreed service level	2.58%	N/A

# North Sydney Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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



# North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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





## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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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](http://www.northsydney.nsw.gov.au)

## North Sydney Council

### General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### 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 2021.

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 2021

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder;
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board; 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 26 October 2020.**

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Jilly Gibson  
**Mayor**  
dd MMMM yyyy

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Stephen Barbour  
**Councillor**  
dd MMMM yyyy

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Ken Gouldthorp  
**General Manager**  
dd MMMM yyyy

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Asif Ali  
**Responsible Accounting Officer**  
dd MMMM yyyy

## North Sydney Council

### Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Income from continuing operations</b>				
66,784	Rates and annual charges	B2-1	<b>66,018</b>	62,883
24,517	User charges and fees	B2-2	<b>31,166</b>	28,255
8,665	Other revenue	B2-3	<b>8,390</b>	8,821
4,801	Grants and contributions provided for operating purposes	B2-4	<b>5,449</b>	5,999
3,450	Grants and contributions provided for capital purposes	B2-4	<b>24,219</b>	6,378
1,412	Interest and investment income		<b>1,373</b>	1,970
5,651	Other income	B2-5	<b>6,963</b>	7,021
<u>115,280</u>	<b>Total income from continuing operations</b>		<u><b>143,578</b></u>	<u>121,327</u>
<b>Expenses from continuing operations</b>				
45,394	Employee benefits and on-costs	B3-1	<b>42,900</b>	46,194
42,428	Materials and services	B3-2	<b>44,123</b>	43,822
671	Borrowing costs		<b>374</b>	416
22,020	Depreciation, amortisation and impairment for non-financial assets	B3-3	<b>27,524</b>	29,351
2,759	Other expenses	B3-4	<b>3,790</b>	5,755
994	Net losses from the disposal of assets		<b>1,155</b>	922
<u>114,266</u>	<b>Total expenses from continuing operations</b>		<u><b>119,866</b></u>	<u>126,460</u>
<u>1,014</u>	<b>Operating result from continuing operations</b>		<u><b>23,712</b></u>	<u>(5,133)</u>
<u>1,014</u>	<b>Net operating result for the year attributable to Council</b>		<u><b>23,712</b></u>	<u>(5,133)</u>
<u>(2,436)</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u><b>(507)</b></u>	<u>(11,511)</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 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>23,712</b>	<b>(5,133)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	<u>16,634</u>	<u>78,573</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>16,634</b>	<b>78,573</b>
<b>Total other comprehensive income for the year</b>		<b>16,634</b>	<b>78,573</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>40,346</b>	<b>73,440</b>

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 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019 <sup>1</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	25,184	9,235	14,083
Investments	C1-2	85,995	81,961	73,145
Receivables	C1-4	10,182	6,393	5,967
Inventories		37	33	57
Current assets classified as 'held for sale'		–	–	4,500
Other		954	378	244
<b>Total current assets</b>		<b>122,352</b>	<b>98,000</b>	<b>97,996</b>
<b>Non-current assets</b>				
Receivables	C1-4	392	335	450
Infrastructure, property, plant and equipment	C1-5	1,149,586	1,090,710	1,010,666
Investment property	C1-6	54,786	92,758	95,512
Right of use assets	C2-1	2,102	2,365	–
Investments accounted for using the equity method		28	20	10
<b>Total non-current assets</b>		<b>1,206,894</b>	<b>1,186,188</b>	<b>1,106,638</b>
<b>Total assets</b>		<b>1,329,246</b>	<b>1,284,188</b>	<b>1,204,634</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	24,527	22,015	20,767
Income received in advance	C3-1	–	–	2,613
Contract liabilities	C3-2	13,897	9,287	–
Lease liabilities	C2-1	303	303	–
Borrowings	C3-3	881	846	811
Employee benefit provisions	C3-4	15,560	15,963	16,021
<b>Total current liabilities</b>		<b>55,168</b>	<b>48,414</b>	<b>40,212</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	1,860	2,096	–
Borrowings	C3-3	6,373	7,254	8,100
Employee benefit provisions	C3-4	249	1,174	278
<b>Total non-current liabilities</b>		<b>8,482</b>	<b>10,524</b>	<b>8,378</b>
<b>Total liabilities</b>		<b>63,650</b>	<b>58,938</b>	<b>48,590</b>
<b>Net assets</b>		<b>1,265,596</b>	<b>1,225,250</b>	<b>1,156,044</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	819,217	795,505	804,872
IPPE revaluation reserve	C4-1	446,379	429,745	351,172
<b>Council equity interest</b>		<b>1,265,596</b>	<b>1,225,250</b>	<b>1,156,044</b>
<b>Total equity</b>		<b>1,265,596</b>	<b>1,225,250</b>	<b>1,156,044</b>

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

## North Sydney Council

## Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		795,505	429,745	1,225,250	813,480	351,172	1,164,652
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(4,234)	-	(4,234)
Voluntary changes in accounting policies	F3-1	-	-	-	(8,608)	-	(8,608)
<b>Restated opening balance</b>		<b>795,505</b>	<b>429,745</b>	<b>1,225,250</b>	<b>800,638</b>	<b>351,172</b>	<b>1,151,810</b>
Net operating result for the year		23,712	-	23,712	(5,133)	-	(5,133)
<b>Restated net operating result for the period</b>		<b>23,712</b>	<b>-</b>	<b>23,712</b>	<b>(5,133)</b>	<b>-</b>	<b>(5,133)</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	-	16,634	16,634	-	78,573	78,573
<b>Other comprehensive income</b>		<b>-</b>	<b>16,634</b>	<b>16,634</b>	<b>-</b>	<b>78,573</b>	<b>78,573</b>
<b>Total comprehensive income</b>		<b>23,712</b>	<b>16,634</b>	<b>40,346</b>	<b>(5,133)</b>	<b>78,573</b>	<b>73,440</b>
<b>Closing balance at 30 June</b>		<b>819,217</b>	<b>446,379</b>	<b>1,265,596</b>	<b>795,505</b>	<b>429,745</b>	<b>1,225,250</b>

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

## North Sydney Council

## Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
66,745	Rates and annual charges		66,365	63,118
24,633	User charges and fees		34,312	28,459
1,335	Investment and interest revenue received		1,186	1,766
8,896	Grants and contributions		29,238	15,940
3,600	Bonds, deposits and retention amounts received		4,172	2,874
14,443	Other		19,394	22,209
<i>Payments:</i>				
(44,575)	Employee benefits and on-costs		(44,205)	(45,673)
(36,401)	Materials and services		(47,945)	(40,412)
(597)	Borrowing costs		(379)	(422)
(3,600)	Bonds, deposits and retention amounts refunded		(2,254)	(2,048)
(9,360)	Other		(7,139)	(13,053)
25,119	<b>Net cash flows from operating activities</b>	F1-1	<b>52,745</b>	<b>32,758</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
28,000	Sale of investment securities		29,060	53,540
–	Sale of real estate assets		–	4,500
–	Sale of infrastructure, property, plant and equipment		401	773
<i>Payments:</i>				
(33,743)	Purchase of investment securities		(33,000)	(62,361)
–	Purchase of investment property		(75)	(73)
(45,993)	Purchase of infrastructure, property, plant and equipment		(32,100)	(32,945)
(51,736)	<b>Net cash flows from investing activities</b>		<b>(35,714)</b>	<b>(36,566)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
28,000	Proceeds from borrowings		–	–
<i>Payments:</i>				
(1,384)	Repayment of borrowings		(846)	(811)
–	Principal component of lease payments		(236)	(229)
26,616	<b>Net cash flows from financing activities</b>		<b>(1,082)</b>	<b>(1,040)</b>
(1)	<b>Net change in cash and cash equivalents</b>		<b>15,949</b>	<b>(4,848)</b>
2	Cash and cash equivalents at beginning of year		<b>9,235</b>	14,083
1	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>25,184</b>	<b>9,235</b>
74,135	plus: Investments on hand at end of year	C1-2	<b>85,995</b>	81,961
74,136	<b>Total cash, cash equivalents and investments</b>		<b>111,179</b>	<b>91,196</b>

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



## North Sydney Council

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## 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 25/10/2021. Council has the power to amend and reissue these financial statements.

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

These policies have been consistently applied to all the 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 C1-6
- (ii) estimated fair values of investment property – refer Note C1-9
- (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)

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### **Volunteer services**

Volunteer services are services received by Council from individuals or other entities without charge or for consideration significantly less than the fair value of those services. While the measurement of the revenue is at fair value, it is reasonable to assume it is calculated using a comparable hourly rate and the annual total of hours of voluntary services provided.

Volunteer services are not recognised as they would not be purchased if not donated. The quantum of the donated services would not be possible given the constraints on budgets and resources.

### **New accounting standards and interpretations issued 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 2021 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
Our Living Environment	21,676	22,731	30,229	31,782	(8,553)	(9,051)	822	923	339,116	328,035
Our Built Infrastructure	41,012	35,011	19,253	17,143	21,759	17,868	9,806	6,145	579,859	617,227
Our Future Planning	12,011	11,826	13,694	14,943	(1,683)	(3,117)	17	941	169,327	130,271
Our Social Vitality	1,349	1,526	6,786	7,412	(5,437)	(5,886)	1,149	1,038	85,381	76,123
Our Civic Leadership	51,130	48,426	20,647	21,688	30,483	26,738	1,529	1,616	155,563	132,532
Other	16,400	1,807	29,257	33,492	(12,857)	(31,685)	16,345	1,714	-	-
<b>Total functions and activities</b>	<b>143,578</b>	<b>121,327</b>	<b>119,866</b>	<b>126,460</b>	<b>23,712</b>	<b>(5,133)</b>	<b>29,668</b>	<b>12,377</b>	<b>1,329,246</b>	<b>1,284,188</b>

## B1-2 Components of functions or activities

---

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

### **Our Living Environment**

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

### **Our Built Infrastructure**

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

### **Our Future Planning**

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

### **Our Social Vitality**

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

### **Our Civic Leadership**

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

**B2 Sources of income****B2-1 Rates and annual charges**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Ordinary rates</b>		
Residential	<b>28,369</b>	26,579
Business	<b>17,237</b>	16,464
Less: pensioner rebates (mandatory)	<b>(147)</b>	(147)
Less: pensioner rebates (Council policy)	<b>(120)</b>	(120)
<b>Rates levied to ratepayers</b>	<b>45,339</b>	42,776
Pensioner rate subsidies received	<b>147</b>	147
<b>Total ordinary rates</b>	<b>45,486</b>	42,923
<b>Special rates</b>		
Infrastructure levy	<b>2,062</b>	1,918
Environmental levy	<b>2,314</b>	2,153
Main street levies	<b>496</b>	482
<b>Rates levied to ratepayers</b>	<b>4,872</b>	4,553
<b>Total special rates</b>	<b>4,872</b>	4,553
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	<b>15,053</b>	14,802
Stormwater management services	<b>574</b>	572
Section 611 charges	<b>67</b>	69
Less: pensioner rebates (mandatory)	<b>(42)</b>	(44)
Less: pensioner rebates (Council policy)	<b>(34)</b>	(36)
<b>Annual charges levied</b>	<b>15,618</b>	15,363
Pensioner subsidies received:		
– Domestic waste management	<b>42</b>	44
<b>Total annual charges</b>	<b>15,660</b>	15,407
<b>Total rates and annual charges</b>	<b>66,018</b>	62,883

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	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services (additional)	2	1,211	1,235
<b>Total specific user charges</b>		<b>1,211</b>	<b>1,235</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	2	3,525	3,606
Regulatory / statutory fees	2	7,597	5,597
Section 10.7 certificates (EP&A Act)	2	306	277
Section 603 certificates	2	183	165
<b>Total fees and charges – statutory/regulatory</b>		<b>11,611</b>	<b>9,645</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Swimming centres	1	638	1,924
Community centres / facilities	1	138	90
Domestic waste management – other	2	66	44
Family day care	2	225	177
Library	2	67	71
On street parking	2	8,743	8,772
Off street parking	1	4,033	2,899
Ovals	1	1,038	815
Planning and building regulation (non-statutory)	2	1,286	634
Public events	2	57	71
Reinstatements	2	1,802	1,541
Other	2	251	337
<b>Total fees and charges – other</b>		<b>18,344</b>	<b>17,375</b>
<b>Total user charges and fees</b>		<b>31,166</b>	<b>28,255</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		5,847	5,728
User charges and fees recognised at a point in time (2)		25,319	22,527
<b>Total user charges and fees</b>		<b>31,166</b>	<b>28,255</b>

**Accounting policy**

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 14 days of the provision of the service or in some cases such as parking meter fees, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as permanent reserved parking spaces in parking stations, the fee is recognised on a straight-line basis over the expected life of the reservation.

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



**B2-3 Other revenue**

<b>\$ '000</b>	<b>Timing</b>	<b>2021</b>	<b>2020</b>
Advertising on Council infrastructure	1	<b>1,070</b>	1,074
Fines – parking	2	<b>6,288</b>	5,916
Fines – environmental and compliance	2	<b>36</b>	39
Credit card payment surcharge	2	<b>87</b>	81
Legal fees recovered	2	<b>208</b>	499
New Years Eve event revenue	2	<b>33</b>	356
Other	2	<b>668</b>	856
<b>Total other revenue</b>		<b>8,390</b>	<b>8,821</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)	<b>1,070</b>	1,074
Other revenue recognised at a point in time (2)	<b>7,320</b>	7,747
<b>Total other revenue</b>	<b>8,390</b>	<b>8,821</b>

**Accounting policy for other revenue**

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	739	785	–	–
Financial assistance – local roads component	2	237	245	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	790	831	–	–
Financial assistance – local roads component	2	254	260	–	–
<b>Amount recognised as income during current year</b>		<b>2,020</b>	<b>2,121</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Community Care	2	886	798	16	–
Environment Programs	2	428	501	92	–
Recreation and culture	2	226	185	3,629	523
Storm/flood damage	2	–	–	52	–
Town Planning	2	320	941	–	–
Transport for NSW contributions (regional roads, block grant)	2	703	703	–	–
Roads to Recovery	2	305	305	–	–
Other roads and transport	2	362	445	4,085	4,142
Other	2	199	–	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>3,429</b>	<b>3,878</b>	<b>7,874</b>	<b>4,665</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>3,429</b>	<b>3,878</b>	<b>7,874</b>	<b>4,665</b>
<b>Total grants and non-developer contributions</b>		<b>5,449</b>	<b>5,999</b>	<b>7,874</b>	<b>4,665</b>
<b>Comprising:</b>					
– Commonwealth funding		1,054	976	1,637	136
– State funding		3,959	4,552	6,221	4,529
– Other funding		436	471	16	–
		<b>5,449</b>	<b>5,999</b>	<b>7,874</b>	<b>4,665</b>

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 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	F4					
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	11,818	–
S 7.11 – contributions towards amenities/services		2	–	–	4,527	1,713
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>16,345</b>	<b>1,713</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>16,345</b>	<b>1,713</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>16,345</b>	<b>1,713</b>
<b>Total grants and contributions</b>			<b>5,449</b>	<b>5,999</b>	<b>24,219</b>	<b>6,378</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			5,449	5,999	24,219	6,378
<b>Total grants and contributions</b>			<b>5,449</b>	<b>5,999</b>	<b>24,219</b>	<b>6,378</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	562	875	7,842	3,359
< Enter Description >				
<b>Add:</b> Funds received and not recognised as revenue in the current year	350	361	5,730	7,842
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(429)	(674)	(3,358)	(3,359)
<b>Unspent funds at 30 June</b>	<b>483</b>	<b>562</b>	<b>10,214</b>	<b>7,842</b>

The majority of unspent grant funding at 30 June 2021 was received for the following projects which had not yet been completed:

- streetscape upgrades along the Military Road corridor in conjunction with the Northern Beaches B-Line Program;
- Hume Street Plaza additional open space in Crows Nest;
- upgrade of Primrose Park Tennis Courts in Cremorne;
- design of the proposed redevelopment of Holtermann Street Car Park in Crows Nest;
- acquisition of the former Quarantine Boat Depot at Waverton; and
- upgrades to traffic and pedestrian facilities under the Streets a Shared Spaces program.

### Contributions

Unspent funds at 1 July	-	-	18,785	20,147
<b>Add:</b> contributions received and not recognised as revenue in the current year	-	-	16,277	1,807
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(2,852)	(3,169)
<b>Unspent contributions at 30 June</b>	<b>-</b>	<b>-</b>	<b>32,210</b>	<b>18,785</b>

As at 30 June 202, Council held \$32.2 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.

### 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.

## B2-4 Grants and contributions (continued)

---

The performance obligations vary according to the agreement but include the accelerated review of Council's Local Environmental Plan and the provision of vacation care. 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**

<b>\$ '000</b>	Notes	<b>2021</b>	2020
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		<b>913</b>	–
<b>Total fair value increment on investment properties</b>	C1-6	<b>913</b>	–
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		<b>5,011</b>	5,914
<b>Total Investment properties</b>		<b>5,011</b>	5,914
<b>Other lease income</b>			
Room/Facility Hire		<b>728</b>	791
Leaseback fees - council vehicles		<b>303</b>	306
<b>Total Other lease income</b>		<b>1,031</b>	1,097
<b>Total rental income</b>	C2-2	<b>6,042</b>	7,011
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		<b>8</b>	10
<b>Total net share of interests in joint ventures and associates using the equity method</b>		<b>8</b>	10
<b>Total other income</b>		<b>6,963</b>	7,021

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
Salaries and wages	<b>33,503</b>	35,445
Employee leave entitlements (ELE)	<b>4,720</b>	6,300
Superannuation – defined contribution plans	<b>3,241</b>	3,331
Superannuation – defined benefit plan	<b>819</b>	826
Workers' compensation insurance	<b>687</b>	623
Fringe benefit tax (FBT)	<b>248</b>	186
Gratuities	<b>401</b>	437
Other	<b>204</b>	160
<b>Total employee costs</b>	<b>43,823</b>	<b>47,308</b>
Less: capitalised costs	<b>(923)</b>	(1,114)
<b>Total employee costs expensed</b>	<b>42,900</b>	<b>46,194</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>379</b>	392

**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	2021	2020
<b>Audit Fees</b>	E2-1	<b>81</b>	86
<b>Consultancy</b>		<b>759</b>	1,635
<b>Contractor costs:</b>			
– Agency staff		<b>1,415</b>	1,147
– Cash collection		<b>327</b>	366
– Cleaning of Council properties		<b>594</b>	451
– Computer hardware and software maintenance		<b>1,657</b>	1,426
– Mowing		<b>1,017</b>	989
– Infrastructure maintenance		<b>5,266</b>	3,771
– Parking meter maintenance		<b>943</b>	881
– Parks, gardens and tree maintenance		<b>1,832</b>	1,873
– Property maintenance and management		<b>3,468</b>	4,370
– Public events		<b>302</b>	744
– Waste and recycling collection		<b>6,815</b>	6,620
– Waste and recycling disposal		<b>4,108</b>	3,880
– Other contractor costs		<b>2,707</b>	2,608
<b>Infringement notice contract costs (SEINS)</b>		<b>829</b>	792
<b>Raw materials and consumables</b>		<b>3,994</b>	4,258
<b>Service costs (previously other expenses):</b>			
– Bank charges		<b>479</b>	458
– Councillor and Mayoral fees and associated expenses	E1-2	<b>333</b>	261
– Electricity and heating		<b>785</b>	1,072
– Insurance		<b>2,202</b>	1,959
– Postage		<b>318</b>	376
– Staff training		<b>302</b>	324
– Staff travel expenses		<b>242</b>	244
– Street lighting		<b>763</b>	799
– Telephone and communications		<b>415</b>	314
– Other service costs		<b>555</b>	673
<b>Legal expenses:</b>			
– Legal expenses: planning and development		<b>1,494</b>	1,396
– Legal expenses: other		<b>121</b>	49
<b>Total materials and services</b>		<b>44,123</b>	43,822
<b>Total materials and services</b>		<b>44,123</b>	43,822

**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	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Furniture and fittings		507	518
Office equipment		879	913
Land improvements (depreciable)		443	389
Plant and equipment		2,221	1,954
<b>Infrastructure:</b>	11		
– Buildings – specialised		2,778	2,756
– Buildings – non-specialised		30	30
– Footpaths		3,191	3,185
– Other structures		54	53
– Roads		5,975	5,673
– Stormwater drainage		1,953	2,013
– Swimming pools		2,791	6,552
– Other open space / recreational assets		1,259	1,217
– Other infrastructure		3,469	3,401
Right of use assets	14	263	263
<b>Other assets:</b>			
– Heritage collections		42	41
– Library books		364	393
<b>Total depreciation and amortisation costs</b>		<b>26,219</b>	<b>29,351</b>
<b>Impairment / revaluation decrement of IPPE</b>			
Other structures		1,305	–
<b>Total gross IPPE impairment / revaluation decrement costs</b>		<b>1,305</b>	<b>–</b>
<b>Total IPPE impairment / revaluation decrement costs charged to Income Statement</b>		<b>1,305</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&amp;E</b>		<b>27,524</b>	<b>29,351</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 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. This is because 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**

<b>\$ '000</b>	Notes	<b>2021</b>	2020
<b>Impairment of receivables</b>			
User charges and fees		4	160
Rental income		<b>600</b>	36
<b>Total impairment of receivables</b>	C1-4	<b>604</b>	<b>196</b>
<b>Fair value decrement on investment properties</b>			
Fair value decrement on investment properties		–	2,827
<b>Total fair value decrement on investment properties</b>	C1-6	<b>–</b>	<b>2,827</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Department of planning levy		<b>281</b>	276
– Emergency services levy (includes FRNSW and SES levies)		<b>1,330</b>	1,328
– Land tax		<b>21</b>	25
– State Treasury (share of net parking infringement revenue)		<b>(54)</b>	54
– Parking Space Levy		<b>646</b>	–
Donations, contributions and assistance to other organisations		<b>962</b>	1,049
<b>Total other</b>		<b>3,186</b>	<b>2,732</b>
<b>Total other expenses</b>		<b>3,790</b>	<b>5,755</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.

## B4 Performance against budget

### B4-1 Material budget variations

Council's original budget was adopted by the Council on 27/07/2020 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	2021 Budget	2021 Actual	2021 ----- Variance -----	
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#### REVENUES

<b>User charges and fees</b>	<b>24,517</b>	<b>31,166</b>	<b>6,649</b>	<b>27%</b>	<b>F</b>
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While the COVID-19 pandemic continued to impact revenue from user charges and fees in 2020/21, in some cases its effect was not as substantial as had been forecast in the original budget and this was the main reason for this variance. Actual revenue from on and off-street parking fees, some regulatory/ statutory fees and reinstatement fees greatly exceeded original budget forecasts. A delay in the closure of the North Sydney Olympic Pool for redevelopment allowed it to remain open for longer than expected and the resulting additional revenue also contributed to the variance.

<b>Operating grants and contributions</b>	<b>4,801</b>	<b>5,449</b>	<b>648</b>	<b>13%</b>	<b>F</b>
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The actual amount of grants received often depends on decisions made by the State and Commonwealth Governments after the original budget was adopted. Subsequent to the adoption of the budget, additional funding was received from the State Government towards the accelerated review of Council's Local Environmental Plan. This, along with the receipt of several other minor grants which were not included in the original budget, was the reason for this variance.

<b>Capital grants and contributions</b>	<b>3,450</b>	<b>24,219</b>	<b>20,769</b>	<b>602%</b>	<b>F</b>
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The \$22.8 million variance from budget for capital grants and contributions was due to:

- the earlier than expected receipt of some developer contributions, most notably an \$11.8 million contribution from Sydney Metro in relation to the Crows Nest over station development;
- the receipt of unbudgeted grant funding from the Federal Government under the Local Roads and Community Infrastructure Program which will be used to fund the upgrade of Primrose Park Tennis Courts, Grasmere Reserve Playground and East Crescent Street footpath;
- the receipt of unbudgeted grant funding from the State Government under the Public Space Legacy Program which will be used to fund the acquisition of the former Quarantine Boat Depot at Waverton and playgrounds;
- the receipt of unbudgeted grant funding from Transport for NSW towards a number of traffic, bicycle, pedestrian and streetscape facilities projects;
- the recognition of grant funding from both the Federal and State Governments towards the redevelopment of North Sydney Olympic Pool; and
- the recognition of grant funding from the State Government towards the Hume Street Plaza development in Crows Nest.

<b>Other income</b>	<b>5,651</b>	<b>6,963</b>	<b>1,312</b>	<b>23%</b>	<b>F</b>
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An unbudgeted \$913,000 fair value increment on Council's investment property portfolio and a less significant impact than was forecast in the original budget from the pandemic on property rental were the reasons for this variance.

#### EXPENSES

<b>Borrowing costs</b>	<b>671</b>	<b>374</b>	<b>297</b>	<b>44%</b>	<b>F</b>
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The Original Budget included the costs incurred in relation to a loan required to partially fund the redevelopment of the North Sydney Olympic Pool. As a consequence of the project commencing later than expected, the loan was not taken out in 2020/21 and this is the reason for this variance.

<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>22,020</b>	<b>27,524</b>	<b>(5,504)</b>	<b>(25)%</b>	<b>U</b>
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**B4-1 Material budget variations (continued)**

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----
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An amendment to the useful life of the North Sydney Olympic Pool complex prior to its closure for redevelopment resulted in the charging of additional depreciation costs above that forecast in the original budget and this, along with a \$1.3 million decrement on reevaluation the Other Structures class of infrastructure assets, was the reason for the unfavourable variance from budget for this item.

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>25,119</b>	<b>52,745</b>	<b>27,626</b>	<b>110%</b>	<b>F</b>
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The receipt of significantly more revenue from grants and developer contributions than was originally forecast was the main reason for this variance. The impact of the pandemic on revenue from user charges and fees was not as substantial as was originally forecast and this also contributed to the variance.

<b>Cash flows from investing activities</b>	<b>(51,736)</b>	<b>(35,714)</b>	<b>16,022</b>	<b>(31)%</b>	<b>F</b>
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Delays in the commencement and/or completion of some capital projects resulted in lower than forecast outflows for the purchase of infrastructure and this was the reason for this variance.

<b>Cash flows from financing activities</b>	<b>26,616</b>	<b>(1,082)</b>	<b>(27,698)</b>	<b>(104)%</b>	<b>U</b>
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The deferral of the drawdown of a loan to fund the redevelopment of the North Sydney Olympic Pool complex was the reason for this variance.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	25,025	9,081
Cash-equivalent assets		
– Deposits at call	159	154
<b>Total cash and cash equivalents</b>	<b>25,184</b>	<b>9,235</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2020 Current
<b>Financial assets at fair value through the profit and loss</b>		
NCD's, FRN's (with maturities > 3 months)	11,995	9,961
<b>Total</b>	<b>11,995</b>	<b>9,961</b>
<b>Debt securities at amortised cost</b>		
Long term deposits	74,000	72,000
<b>Total</b>	<b>74,000</b>	<b>72,000</b>
<b>Total financial investments</b>	<b>85,995</b>	<b>81,961</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>111,179</b>	<b>91,196</b>

#### Accounting policy

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

## C1-2 Financial investments (continued)

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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 cash, cash equivalents and investments

\$ '000	2021 Current	2020 Current
Total cash, cash equivalents and investments	<u>111,179</u>	<u>91,196</u>
<b>attributable to:</b>		
External restrictions	52,527	34,900
Internal restrictions	52,500	48,933
Unrestricted	<u>6,152</u>	<u>7,363</u>
	<u>111,179</u>	<u>91,196</u>

\$ '000	2021	2020
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#### Details of restrictions

##### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	<u>10,526</u>	<u>8,019</u>
<b>External restrictions – included in liabilities</b>	<u>10,526</u>	<u>8,019</u>

##### External restrictions – other

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

Developer contributions – general	32,333	18,785
Domestic waste management	8,360	6,818
Environment levy	988	893
Mainstreet levies	96	–
Other specific purpose contributions	171	385
Waste and sustainability improvement funds	53	–
<b>External restrictions – other</b>	<u>42,001</u>	<u>26,881</u>
<b>Total external restrictions</b>	<u>52,527</u>	<u>34,900</u>

##### Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Capital works	17,424	11,703
Community housing – capital purchases	963	963
Community housing – major maintenance	132	132
Deposits, retentions and bonds	12,715	10,804
Employees leave entitlement	7,905	8,569
I.T. hardware and software	516	299
Income producing projects	740	1,410
Insurance	62	77
Loan principal	–	24
Olympic Pool Redevelopment	9,920	13,089
Plant and vehicle replacement	2,123	1,863
<b>Total internal restrictions</b>	<u>52,500</u>	<u>48,933</u>
<b>Total restrictions</b>	<u>105,027</u>	<u>83,833</u>

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	1,470	276	1,495	237
Interest and extra charges	42	98	52	80
User charges and fees	2,390	–	1,173	–
Accrued revenues				
– Interest on investments	732	–	647	–
– Other income accruals	1,000	–	1,267	–
Government grants and subsidies	3,447	–	412	–
Net GST receivable	1,075	–	929	–
Outstanding infringements	882	–	704	–
Other debtors	17	18	8	18
<b>Total</b>	<b>11,055</b>	<b>392</b>	<b>6,687</b>	<b>335</b>
<b>Less: provision of impairment</b>				
User charges and fees	(873)	–	(294)	–
<b>Total provision for impairment – receivables</b>	<b>(873)</b>	<b>–</b>	<b>(294)</b>	<b>–</b>
<b>Total net receivables</b>	<b>10,182</b>	<b>392</b>	<b>6,393</b>	<b>335</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 9)	294	197
+ new provisions recognised during the year	605	196
– amounts already provided for and written off this year	(26)	(99)
<b>Balance at the end of the year</b>	<b>873</b>	<b>294</b>

### Accounting policy

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

### Impairment

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

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

When considering the ECL for rates 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.



## **C1-4 Receivables (continued)**

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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 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
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
<b>Land:</b>														
– 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	5,544	(2,301)	3,243	227	71	–	(443)	–	17	–	–	5,859	(2,744)	3,115
<b>Infrastructure:</b>														
– 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
<b>Other assets:</b>														
– 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
<b>Total infrastructure, property, plant and equipment</b>	<b>1,541,485</b>	<b>(450,775)</b>	<b>1,090,710</b>	<b>24,496</b>	<b>7,604</b>	<b>(1,557)</b>	<b>(25,956)</b>	<b>(1,305)</b>	<b>–</b>	<b>38,960</b>	<b>16,634</b>	<b>1,607,221</b>	<b>(457,635)</b>	<b>1,149,586</b>

(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 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount restated	Accumulated depreciation restated	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	7,324	–	7,324	4,239	1,753	–	–	(1,090)	–	–	12,226	–	12,226
Plant and equipment	17,277	(9,911)	7,366	1,760	93	(668)	(1,954)	–	–	–	17,599	(11,002)	6,597
Office equipment	19,445	(16,691)	2,754	251	54	(26)	(913)	49	–	–	19,640	(17,471)	2,169
Furniture and fittings	8,859	(5,836)	3,023	80	–	–	(518)	–	–	–	8,939	(6,354)	2,585
<b>Land:</b>													
– Operational land	153,661	–	153,661	–	–	–	–	–	–	–	153,661	–	153,661
– Community land	104,825	–	104,825	–	–	–	–	–	–	–	104,825	–	104,825
– Crown land	51,503	–	51,503	–	–	–	–	–	–	–	51,503	–	51,503
Land improvements – depreciable	8,875	(3,562)	5,313	252	778	–	(389)	55	(2,766)	–	5,544	(2,301)	3,243
<b>Infrastructure:</b>													
– Buildings – non-specialised	1,415	(427)	988	26	–	–	(30)	–	–	–	1,441	(457)	984
– Buildings – specialised	206,498	(78,827)	127,671	890	504	–	(2,756)	100	768	–	209,414	(82,237)	127,177
– Other structures	2,223	(89)	2,134	–	25	–	(53)	120	144	–	2,570	(200)	2,370
– Roads	329,828	(114,982)	214,846	4,824	1,788	(547)	(5,673)	246	(912)	37,592	352,219	(100,055)	252,164
– Footpaths	95,945	(34,898)	61,047	7,048	168	(521)	(3,185)	211	–	14,319	117,860	(38,773)	79,087
– Stormwater drainage	198,872	(70,460)	128,412	2,292	447	–	(2,013)	118	–	15,871	201,754	(56,627)	145,127
– Swimming pools	22,488	(9,989)	12,499	–	–	–	(6,552)	–	–	–	22,488	(16,541)	5,947
– Other open space/recreational assets	11,648	(7,258)	4,390	806	–	–	(1,217)	6	2,766	10,791	25,799	(8,257)	17,542
– Other infrastructure	225,151	(104,756)	120,395	3,274	630	–	(3,401)	185	–	–	229,239	(108,156)	121,083
<b>Other assets:</b>													
– Heritage collections	2,393	(946)	1,447	30	15	–	(41)	–	–	–	2,438	(987)	1,451
– Library books	2,331	(1,263)	1,068	294	–	–	(393)	–	–	–	2,326	(1,357)	969
<b>Total infrastructure, property, plant and equipment</b>	<b>1,470,561</b>	<b>(459,895)</b>	<b>1,010,666</b>	<b>26,066</b>	<b>6,255</b>	<b>(1,762)</b>	<b>(29,088)</b>	<b>–</b>	<b>–</b>	<b>78,573</b>	<b>1,541,485</b>	<b>(450,775)</b>	<b>1,090,710</b>

(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:

<b>Plant and equipment</b>	Years	<b>Buildings</b>	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
<b>Transportation assets</b>	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	<b>Other sport and recreation assets</b>	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
<b>Stormwater drainage assets</b>	Years	<b>Depreciable land improvements</b>	Years
Drainage pipes	70 to 100	Depreciable land improvements	5 to 100
Drainage pits	80		
Culverts	70 to 100	<b>Other</b>	Years
Gross pollutant traps	40 to 50	Other Structures	25 to 50
		Library collection	5
<b>Other infrastructure</b>	Years	Heritage collection	10 to 100
Lighting	20 to 35		
Seawalls	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	2021	2020
<b>At fair value</b>		
Opening balance at 1 July	92,758	95,512
Capitalised subsequent expenditure	75	73
Net gain/(loss) from fair value adjustments	913	(2,827)
Transfers from/(to) owner-occupied property (Note C1-5)	<u>(38,960)</u>	–
<b>Closing balance at 30 June</b>	<b><u>54,786</u></b>	<b><u>92,758</u></b>

### Accounting policy

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

## C2 Leasing activities

### C2-1 Council as a lessee

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

Council entered a new waste disposal contract on 1 July 2019. Under the terms of the contract Council has the right to obtain substantially all the economic benefits from the waste collection vehicles supplied by the contractor 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.

#### Waste Disposal Contract

Council has a right of use asset as it has a right to obtain substantially all the economic benefits from the waste collection vehicles provided under the waste disposal contract.

#### Extension options

The waste collection contract contains an extension option to provide flexibility and certainty to Council operations. The extension is at Council's discretion.

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

#### (a) Right of use assets

\$ '000	Waste Disposal Contract	Total
<b>2021</b>		
Opening balance at 1 July	2,365	2,365
Depreciation charge	(263)	(263)
<b>Balance at 30 June</b>	<b>2,102</b>	<b>2,102</b>
<b>2020</b>		
Depreciation charge	(263)	(263)
<b>Balance at 30 June</b>	<b>2,365</b>	<b>2,365</b>

#### (b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	303	1,860	303	2,096
<b>Total lease liabilities</b>	<b>303</b>	<b>1,860</b>	<b>303</b>	<b>2,096</b>

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

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2021</b>					
Cash flows	303	1,211	909	2,423	2,163
<b>2020</b>					
Cash flows	303	1,211	1,211	2,725	2,399

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

### (d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	67	74
Depreciation of right of use assets	263	263
	<b>330</b>	<b>337</b>

### (e) Statement of Cash Flows

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

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

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

- land beautification
- dinghy storage
- boat ramps and jetties

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$5,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

#### Accounting policy

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use 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

continued on next page ...

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

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	2021	2020
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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)	5,011	5,914
<b>Total income relating to operating leases for investment property assets</b>	<b>5,011</b>	<b>5,914</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	2,082	2,338
<b>Total expenses relating to operating leases</b>	<b>2,082</b>	<b>2,338</b>

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

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

Lease income (excluding variable lease payments not dependent on an index or rate)	1,031	1,097
<b>Total income relating to operating leases for Council assets</b>	<b>1,031</b>	<b>1,097</b>

### Reconciliation of IPPE assets leased out as operating leases

\$ '000	Plant & Equipment 2021	Plant & Equipment 2020
<b>Opening balance as at 1 July</b>	<b>1,939</b>	<b>2,121</b>
Additions renewals	193	927
Carrying value of disposals	(138)	(533)
Depreciation expense	(567)	(576)
<b>Closing balance as at 30 June</b>	<b>1,427</b>	<b>1,939</b>

\$ '000	2021	2020
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#### (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	4,043	5,064
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**C2-2 Council as a lessor (continued)**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
1–2 years	<b>3,113</b>	3,800
2–3 years	<b>1,955</b>	2,974
3–4 years	<b>1,469</b>	1,990
4–5 years	<b>1,243</b>	1,646
> 5 years	<b>9,295</b>	10,328
<b>Total undiscounted lease payments to be received</b>	<b>21,118</b>	<b>25,802</b>

**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 2020 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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Prepaid rates	952	-	584	-
Goods and services	8,906	-	8,771	-
Accrued expenses:				
– Borrowings	49	-	54	-
– Salaries and wages	1,140	-	1,035	-
– Other expenditure accruals	279	-	436	-
Security bonds, deposits and retentions	12,715	-	10,804	-
Other	486	-	331	-
<b>Total payables</b>	<b>24,527</b>	<b>-</b>	<b>22,015</b>	<b>-</b>
<b>Total payables</b>	<b>24,527</b>	<b>-</b>	<b>22,015</b>	<b>-</b>

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

\$ '000	2021	2020
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	8,700	5,359
<b>Total payables and borrowings</b>	<b>8,700</b>	<b>5,359</b>

#### Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Council comprise trade payables, bank and other loans.

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets) <sup>i</sup>	(i)	10,214	-	7,842	-
Unexpended operating grants (received prior to performance obligation being satisfied) <sup>ii</sup>	(ii)	312	-	177	-
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	171	-	385	-
<b>Total grants received in advance</b>		<b>10,697</b>	<b>-</b>	<b>8,404</b>	<b>-</b>
<b>User fees and charges received in advance:</b>					
DA Compliance Levy <sup>iii</sup>	(iii)	1,393	-	-	-
Hoarding Permit fees	(iii)	534	-	123	-
Outdoor Dining fees	(iii)	56	-	110	-
Swimming Centre fees	(iii)	-	-	128	-
Work Zone Permit fees	(iii)	968	-	254	-
Rental income - investment properties	(iii)	171	-	142	-
Rental income - other	(iii)	-	-	88	-
Other	(iii)	78	-	38	-
<b>Total user fees and charges received in advance</b>		<b>3,200</b>	<b>-</b>	<b>883</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>13,897</b>	<b>-</b>	<b>9,287</b>	<b>-</b>

(i) Council has received grants from both the Commonwealth and State Governments to fund a number of infrastructure upgrade or renewal projects. The funds received are under an enforceable contract which require Council to construct identified assets which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

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

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

Unspent grants held as contract liabilities	10,526	-	8,019	-
Unspent contributions held as contract liabilities	171	-	385	-
<b>Contract liabilities relating to externally restricted assets</b>	<b>10,697</b>	<b>-</b>	<b>8,404</b>	<b>-</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>10,697</b>	<b>-</b>	<b>8,404</b>	<b>-</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>3,200</b>	<b>-</b>	<b>883</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>13,897</b>	<b>-</b>	<b>9,287</b>	<b>-</b>

**C3-2 Contract Liabilities (continued)****Revenue recognised that was included in the contract liability balance at the beginning of the period**

<b>\$ '000</b>	<b>2021</b>	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	<b>3,358</b>	3,359
Operating grants (received prior to performance obligation being satisfied)	<b>177</b>	438
Operating contributions (received prior to performance obligation being satisfied)	<b>252</b>	236
User fees and charges received in advance	<b>883</b>	–
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>4,670</b>	4,033

**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	2021		2020	2020
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	881	6,373	846	7,254
<b>Total borrowings</b>	<b>881</b>	<b>6,373</b>	<b>846</b>	<b>7,254</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1

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

\$ '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
<b>Total liabilities from financing activities</b>	<b>10,499</b>	<b>(1,082)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,417</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,911	(811)	–	–	–	–	8,100
Lease liability (Note C2-1b)	–	–	–	–	2,399	–	2,399
<b>Total liabilities from financing activities</b>	<b>8,911</b>	<b>(811)</b>	<b>–</b>	<b>–</b>	<b>2,399</b>	<b>–</b>	<b>10,499</b>

#### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	350	350
<b>Total financing arrangements</b>	<b>850</b>	<b>850</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	350	350
<b>Total undrawn financing arrangements</b>	<b>850</b>	<b>850</b>

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

#### Accounting policy

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	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	4,259	–	4,246	–
Sick leave	37	–	85	–
Long service leave	7,789	249	7,950	1,174
Gratuities	3,423	–	3,631	–
Other leave – RDO's	52	–	51	–
<b>Total employee benefit provisions</b>	<b>15,560</b>	<b>249</b>	<b>15,963</b>	<b>1,174</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	10,818	11,732
	<b>10,818</b>	<b>11,732</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

#### Infrastructure, property, plant and equipment revaluation reserve

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

## D 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 section 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 2021	Carrying value 2020	Fair value 2021	Fair value 2020
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	25,184	9,235	25,184	9,235
Receivables	10,574	6,728	12,174	6,726
Investments				
– Debt securities at amortised cost	74,000	72,000	74,000	72,000
<b>Fair value through profit and loss</b>				
Investments				
– Held for trading	11,995	9,961	11,995	9,961
<b>Total financial assets</b>	<b>121,753</b>	<b>97,924</b>	<b>123,353</b>	<b>97,922</b>
<b>Financial liabilities</b>				
Payables	24,527	22,015	24,523	22,000
Loans/advances	7,254	8,100	7,254	8,100
<b>Total financial liabilities</b>	<b>31,781</b>	<b>30,115</b>	<b>31,777</b>	<b>30,100</b>

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 mkt 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 area 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:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.

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

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

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

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

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

\$ '000	2021	2020
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	899	913
Impact of a 10% movement in price of investments		
– Equity / Income Statement	1,111	996

### (b) Credit risk

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

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

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

There are no significant concentrations of credit risk, 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 and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	1,470	183	8	27	58	1,746
<b>2020</b>						
Gross carrying amount	1,495	144	8	27	58	1,732



## 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	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	7,621	459	254	367	1,000	9,701
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	87.29%	9.00%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>873</b>	<b>873</b>
<b>2020</b>						
Gross carrying amount	4,550	129	123	108	380	5,290
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	77.40%	5.56%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294</b>	<b>294</b>

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

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

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

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

Borrowings are also subject to interest rate risk – 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. 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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	12,715	-	-	-	12,715	23,575
Loans and advances	4.02%	-	1,159	5,793	1,448	8,400	7,254
<b>Total financial liabilities</b>		<b>12,715</b>	<b>1,159</b>	<b>5,793</b>	<b>1,448</b>	<b>21,115</b>	<b>30,829</b>
<b>2020</b>							
Trade/other payables	0.00%	10,804	-	-	-	10,804	21,431
Loans and advances	4.02%	-	1,159	5,793	2,607	9,559	8,100
<b>Total financial liabilities</b>		<b>10,804</b>	<b>1,159</b>	<b>5,793</b>	<b>2,607</b>	<b>20,363</b>	<b>29,531</b>

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

## D2 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).

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Financial investments	C1-2						
At fair value through profit or loss		11,995	9,961	–	–	11,995	9,961
<b>Total financial assets</b>		<b>11,995</b>	<b>9,961</b>	<b>–</b>	<b>–</b>	<b>11,995</b>	<b>9,961</b>
<b>Investment property</b>							
Investment properties	C1-6	54,786	92,758	–	–	54,786	92,758
<b>Total investment property</b>		<b>54,786</b>	<b>92,758</b>	<b>–</b>	<b>–</b>	<b>54,786</b>	<b>92,758</b>
<b>Infrastructure, property, plant and equipment</b>							
Plant and equipment	C1-5	–	–	5,926	6,597	5,926	6,597
Office equipment		–	–	2,381	2,169	2,381	2,169
Furniture and fittings		–	–	2,093	2,585	2,093	2,585
Operational land		102,857	67,387	86,274	86,274	189,131	153,661
Community land		–	–	166,171	156,328	166,171	156,328
Land improvements – depreciable		–	–	3,115	3,243	3,115	3,243
Buildings – non-specialised		832	836	138	148	970	984
Buildings – specialised		42	47	129,812	127,130	129,854	127,177
Other structures		–	–	1,011	2,370	1,011	2,370
Roads		–	–	252,419	252,165	252,419	252,165
Footpaths		–	–	81,844	79,087	81,844	79,087
Stormwater drainage		–	–	145,973	145,127	145,973	145,127
Swimming pools		–	–	3,156	5,947	3,156	5,947
Other open space/recreation assets		–	–	18,093	17,542	18,093	17,542
Other infrastructure assets		–	–	121,045	121,083	121,045	121,083
Heritage collections		–	–	8,313	1,450	8,313	1,450
Library books		–	–	905	969	905	969
<b>Total infrastructure, property, plant and equipment</b>		<b>103,731</b>	<b>68,270</b>	<b>1,028,669</b>	<b>1,010,214</b>	<b>1,132,400</b>	<b>1,078,484</b>

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## D2 Fair value measurement (continued)

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### 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.

##### Level 2 inputs:

- Quoted prices for similar assets in active markets
- Comparison of rate per square metre of floor area

The 2018 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)

##### Plant & Equipment, Office Equipment, Furniture & Fittings

The cost approach using level 3 inputs was used to value Council's plant and equipment, office equipment and furniture and fittings.

##### Level 3 inputs:

- Depreciated historic cost
- Useful life

##### Operational Land

The market approach using level 3 inputs was used to value Council's operational land.

##### Level 3 inputs:

- Rate per square metre from the sales evidence available

##### Community Land

The market approach using level 3 inputs was used to value Council's community land.

##### Level 3 inputs:

- Inputs to Valuer General valuations, i.e. land area, land values.

##### Land Improvements - depreciable

The cost approach using level 3 inputs was used to value Council's depreciable land improvements.

##### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

##### Non specialised buildings

The cost approach using level 3 inputs was used to value Council's non specialised buildings.

##### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

## D2 Fair value measurement (continued)

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### Specialised buildings

The cost approach using level 3 inputs was used to value Council's specialised buildings.

#### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

### Other Structures

The cost approach using level 3 inputs was used to value Council's other structures

- Replacement cost
- Useful life
- Remaining life
- Residual value

### Roads

The cost approach using level 3 inputs was used to value Council's road assets.

#### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

### Footpaths

The cost approach using level 3 inputs was used to value Council's footpath assets.

#### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

### Stormwater Drainage

The cost approach using level 3 inputs was used to value Council's stormwater drainage assets.

#### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

### Swimming Pools

The costs approach using level 3 inputs was used to value Council's swimming pools.

#### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

### Open Space/Recreation Assets

The cost approach using level 3 inputs was used to value Council's open space/recreation assets.

#### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

### Other Infrastructure Assets

The cost approach using level 3 inputs was used to value Council's other infrastructure assets.

#### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

## D2 Fair value measurement (continued)

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### **Heritage Collections**

The cost approach using level 3 inputs was used to value Council's heritage collections.

#### **Level 3 inputs:**

- Replacement cost
- Useful life
- Remaining life
- Residual value

### **Library Books**

The cost approach using level 3 inputs was used to value Council's library books.

#### **Level 3 inputs:**

- Depreciated historic cost
- Useful life

## D2 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		Land improve-ments depreciable		Buildings non specialised	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>6,597</b>	7,366	<b>2,169</b>	2,754	<b>2,585</b>	3,023	<b>86,274</b>	86,274	<b>156,328</b>	156,328	<b>3,243</b>	5,313	<b>148</b>	158
<b>Total gains or losses for the period</b>														
Recognised in other comprehensive income – revaluation surplus	-	-	-	-	-	-	-	-	<b>9,843</b>	-	-	-	-	-
<b>Other movements</b>														
Transfers from/(to) another asset class	-	-	-	-	-	-	-	-	-	-	-	(2,766)	-	-
Purchases (GBV)	<b>1,755</b>	1,853	<b>1,091</b>	354	<b>41</b>	80	-	-	-	-	<b>315</b>	1,085	-	-
Disposals (WDV)	<b>(205)</b>	(668)	-	(26)	<b>(26)</b>	-	-	-	-	-	-	-	-	-
Depreciation and impairment	<b>(2,221)</b>	(1,954)	<b>(879)</b>	(913)	<b>(507)</b>	(518)	-	-	-	-	<b>(443)</b>	(389)	<b>(10)</b>	(10)
<b>Closing balance</b>	<b>5,926</b>	6,597	<b>2,381</b>	2,169	<b>2,093</b>	2,585	<b>86,274</b>	86,274	<b>166,171</b>	156,328	<b>3,115</b>	3,243	<b>138</b>	148

\$ '000	Building specialised		Other structures		Roads		Footpaths		Stormwater drainage		Swimming pools		Open space / recreation assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>127,130</b>	127,645	<b>2,370</b>	2,134	<b>252,164</b>	214,846	<b>79,087</b>	61,047	<b>145,127</b>	128,412	<b>5,947</b>	12,499	<b>17,542</b>	4,390
<b>Total gains or losses for the period</b>														
Recognised in other comprehensive income – revaluation surplus	-	-	-	-	-	37,592	-	14,319	-	15,871	-	-	-	10,791
<b>Other movements</b>														
Transfers from/(to) another asset class	<b>3,490</b>	768	-	144	-	(912)	-	-	-	-	-	-	-	2,766
Purchases (GBV)	<b>1,988</b>	1,469	-	145	<b>6,882</b>	6,858	<b>6,599</b>	7,427	<b>2,799</b>	2,857	-	-	<b>1,810</b>	812
Disposals (WDV)	<b>(23)</b>	-	-	-	<b>(652)</b>	(547)	<b>(651)</b>	(521)	-	-	-	-	-	-
Depreciation and impairment	<b>(2,773)</b>	(2,752)	<b>(1,359)</b>	(53)	<b>(5,975)</b>	(5,673)	<b>(3,191)</b>	(3,185)	<b>(1,953)</b>	(2,013)	<b>(2,791)</b>	(6,552)	<b>(1,259)</b>	(1,217)
<b>Closing balance</b>	<b>129,812</b>	127,130	<b>1,011</b>	2,370	<b>252,419</b>	252,164	<b>81,844</b>	79,087	<b>145,973</b>	145,127	<b>3,156</b>	5,947	<b>18,093</b>	17,542

## D2 Fair value measurement (continued)

\$ '000	Other infrastructure assets		Heritage collection		Library books		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>121,083</b>	120,395	<b>1,451</b>	1,447	<b>969</b>	1,068	<b>1,010,214</b>	<b>935,099</b>
Recognised in other comprehensive income – revaluation surplus	–	–	<b>6,791</b>	–	–	–	<b>16,634</b>	<b>78,573</b>
Transfers from/(to) another asset class	–	–	–	–	–	–	<b>3,490</b>	–
Purchases (GBV)	<b>3,431</b>	4,089	<b>113</b>	45	<b>300</b>	294	<b>27,124</b>	<b>27,368</b>
Disposals (WDV)	–	–	–	–	–	–	<b>(1,557)</b>	<b>(1,762)</b>
Depreciation and impairment	<b>(3,469)</b>	(3,401)	<b>(42)</b>	(41)	<b>(364)</b>	(393)	<b>(27,236)</b>	<b>(29,064)</b>
<b>Closing balance</b>	<b>121,045</b>	121,083	<b>8,313</b>	1,451	<b>905</b>	969	<b>1,028,669</b>	<b>1,010,214</b>

## D2 Fair value measurement (continued)

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### 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

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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 participates in an employer-sponsored defined benefit superannuation scheme and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits. Accordingly, Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for defined contributions plan.

##### (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 as to 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.



### **D3-1 Contingencies (continued)**

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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 2021, there were **twelve (12)** Land and Environment Court matters ongoing, one (1) District Court matter ongoing and two (2) NSW Civil and Administrative Tribunal matters ongoing. All known costs have been recognised but the amount of further costs cannot be known until the appeals are determined.

## E People and relationships

### E1 Related party disclosures

#### E1 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 and Director Open Space and Environmental Services.

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits (salaries, Mayoral Allowance, Councillors fees)	2,397	2,076
Post-employment benefits (superannuation)	149	142
Other long-term benefits (increase in employee leave entitlements)	30	36
<b>Total</b>	<b>2,576</b>	<b>2,254</b>

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

\$ '000	2021	2020
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The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	68	44
Councillors' fees	258	203
Other Councillors' expenses (including Mayor)	7	14
<b>Total</b>	<b>333</b>	<b>261</b>

**E2 Other relationships****E2-1 Audit fees**

\$ '000	2021	2020
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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	81	86
<b>Remuneration for audit and other assurance services</b>	<b>81</b>	<b>86</b>

<b>Total Auditor-General remuneration</b>	<b>81</b>	<b>86</b>
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<b>Total audit fees</b>	<b>81</b>	<b>86</b>
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## F Other matters

### F1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>23,712</b>	(5,133)
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	<b>26,219</b>	29,351
Net losses/(gains) on disposal of assets	<b>1,155</b>	922
Adoption of AASB 15/1058	–	(4,234)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	<b>(94)</b>	5
– Investment property	<b>(913)</b>	2,827
– Revaluation decrements / impairments of IPP&E direct to P&L	<b>1,305</b>	–
Share of net (profits)/losses of associates/joint ventures using the equity method	<b>(8)</b>	(10)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	<b>(4,424)</b>	(341)
Increase/(decrease) in provision for impairment of receivables	<b>579</b>	97
Decrease/(increase) in inventories	<b>(4)</b>	24
Decrease/(increase) in other current assets	<b>(576)</b>	(134)
Increase/(decrease) in payables	<b>135</b>	177
Increase/(decrease) in accrued interest payable	<b>(5)</b>	(6)
Increase/(decrease) in other accrued expenses payable	<b>(52)</b>	276
Increase/(decrease) in other liabilities	<b>2,434</b>	(1,188)
Increase/(decrease) in contract liabilities	<b>4,610</b>	9,287
Increase/(decrease) in provision for employee benefits	<b>(1,328)</b>	838
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>52,745</b>	32,758

## F2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	3,593	1,600
Computer equipment	1	36
Computer software	102	18
Infrastructure	6,248	5,581
Library books	12	67
Other structures	1,931	78
Parking meters	–	66
Plant and equipment	73	585
<b>Total commitments</b>	<b>11,960</b>	<b>8,031</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	11,960	8,031
<b>Total payable</b>	<b>11,960</b>	<b>8,031</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	19	67
Section 7.11 and 64 funds/reserves	523	1,461
Unexpended grants	4,391	712
Externally restricted reserves	34	200
Internally restricted reserves	6,993	5,591
<b>Total sources of funding</b>	<b>11,960</b>	<b>8,031</b>

#### 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, upgrade of Primrose Park Tennis Courts, Hume Street Plaza open space expansion and the design of the proposed Holtermann Street Car Park redevelopment in Crows Nest.

## F3 Changes from prior year statements

### F3-1 Changes in accounting policy

#### Voluntary changes in accounting policies

##### Nature of changes in accounting policies

Council completed a revaluation of the Land Improvements asset class for the 2020-21 financial year. Guidance from IPWEA practice note *10.2 Parks Management: Renewal Planning, Valuation and Asset Management Plans* was considered as part of this exercise. The IPWEA practice note emphasises cost benefit as well as the level of service provided by an asset and its importance to service delivery as important considerations in determining what assets should be valued. Based on this guidance, the valuation covered Council's iconic parks and high amenity sites, sports fields, community gardens, landscaped traffic facilities and street planter boxes and gardens. These classifications represent Council land improvements assets that provide a high level of service, are critical to service provision and require material renewal expenditure from time to time.

As a result of the scope of the valuation, some expenditure that had been capitalised as land improvements assets in accordance with Council's accounting policies at the time it was incurred was not captured in the valuation. This included expenditure related to:

- earthworks, clearing and site preparation at some high amenity sites that is not relevant to renewal planning;
- trees that are managed as part of Council's ordinary operating activities; and
- landscaping works in neighbourhood parks.

The impact of the revised scope applied to the valuation on these items was an \$8.6m decrement.

The accounting policy changes identified above have been applied by restating the balances at the beginning of the earliest period presented (i.e. 1 July 2019) and taking the adjustment through to the accumulated surplus at that date.

Comparatives have been changed to reflect the accounting policy changes. The impact on each line item is shown in the tables below.

#### Changes to the opening Statement of Financial Position at 1 July 2019

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, Property, Plant and Equipment	1,019,274	(8,608)	1,010,666
<b>Total assets</b>	<b>1,213,242</b>	<b>(8,608)</b>	<b>1,204,634</b>
<b>Total liabilities</b>	<b>48,590</b>	<b>–</b>	<b>48,590</b>
Accumulated surplus	813,480	(8,608)	804,872
<b>Total equity</b>	<b>1,164,652</b>	<b>(8,608)</b>	<b>1,156,044</b>

## F4 Statement of developer contributions as at 30 June 2021

### F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic Improvements	693	56	–	1	(395)	–	355	–
St Leonards Public Domain	852	–	–	2	–	–	854	–
Other Public Domain	489	33	–	1	–	–	523	–
North Sydney Public Domain	3,499	22	–	7	(10)	–	3,518	–
Open Space Increased Capacity	–	1,580	–	–	(2,215)	635	–	(6,025)
Open Space Acquisitions	5,395	797	–	26	–	322	6,540	6,667
Olympic Pool	–	297	–	–	–	(297)	–	(305)
Library Premises & Equipment	–	255	–	–	(5)	(243)	7	–
Library Acquisitions	127	84	–	–	(18)	–	193	–
Indoor Sports Centre	40	91	–	–	–	–	131	–
Community Centres	–	417	–	–	–	(417)	–	(337)
Child Care	1,676	617	–	4	(209)	–	2,088	–
Affordable Housing	3,431	–	–	7	–	–	3,438	–
Administration	656	155	–	2	–	–	813	–
<b>S7.11 contributions – under a plan</b>	<b>16,858</b>	<b>4,404</b>	<b>–</b>	<b>50</b>	<b>(2,852)</b>	<b>–</b>	<b>18,460</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>–</b>	<b>123</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>123</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>16,858</b>	<b>4,527</b>	<b>–</b>	<b>50</b>	<b>(2,852)</b>	<b>–</b>	<b>18,583</b>	<b>–</b>
S7.4 planning agreements	1,927	11,818	–	5	–	–	13,750	–
<b>Total contributions</b>	<b>18,785</b>	<b>16,345</b>	<b>–</b>	<b>55</b>	<b>(2,852)</b>	<b>–</b>	<b>32,333</b>	<b>–</b>

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

## F4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>NORTH SYDNEY PLAN 2004</b>								
Administration	656	155	-	2	-	-	813	-
Affordable Housing	3,431	-	-	7	-	-	3,438	-
Indoor Sports Centre	40	91	-	-	-	-	131	-
Community Centres	-	417	-	-	-	(417)	-	(337)
Child Care	1,676	617	-	4	(209)	-	2,088	-
Library Premises & Equipment	-	255	-	-	(5)	(243)	7	-
Library Acquisitions	127	84	-	-	(18)	-	193	-
Olympic Pool	-	297	-	-	-	(297)	-	(305)
North Sydney Public Domain	3,499	22	-	7	(10)	-	3,518	-
Open Space Increased Capacity	-	1,580	-	-	(2,215)	635	-	(6,025)
Open Space Acquisitions	5,395	797	-	26	-	322	6,540	6,667
Other Public Domain	489	33	-	1	-	-	523	-
St Leonards Public Domain	852	-	-	2	-	-	854	-
Traffic Improvements	693	56	-	1	(395)	-	355	-
<b>Total</b>	<b>16,858</b>	<b>4,404</b>	<b>-</b>	<b>50</b>	<b>(2,852)</b>	<b>-</b>	<b>18,460</b>	<b>-</b>

## S7.12 Levies – under a plan

## NORTH SYDNEY PLAN 2020

Other	-	123	-	-	-	-	123	-
<b>Total</b>	<b>-</b>	<b>123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123</b>	<b>-</b>



## F5 Statement of performance measures

### F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	1,542	1.30%	(6.59)%	3.35%	7.08%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	118,344					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	112,895	79.19%	89.80%	83.98%	89.35%	> 60.00%
Total continuing operating revenue	142,563					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	69,381	2.82x	2.82x	3.45x	2.20x	> 1.50x
Current liabilities less specific purpose liabilities	24,628					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation, amortisation and impairment <sup>1</sup>	28,135	19.32x	15.24x	27.62x	91.17x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,456					
<b>5. Rates and annual charges outstanding percentage</b>						
Rates and annual charges outstanding	1,886	2.78%	2.90%	2.05%	1.29%	< 5.00%
Rates and annual charges collectable	67,940					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	99,184	11.55 mths	9.50 mths	8.74 mths	6.69 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	8,584					

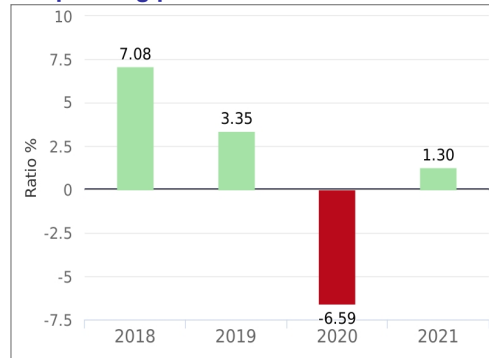
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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

## 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 2020/21 result

2020/21 ratio 1.30%

After falling below the benchmark for the first time in many years in 2019/20, this ratio achieved the benchmark in 2020/21. Excluding capital grants and contributions, fair value adjustments and net losses from the disposal of assets, a \$1.5 million operating surplus was achieved. This was an improvement on what had been forecast, largely because the impact of pandemic restrictions on revenue was not as substantial as had been predicted.

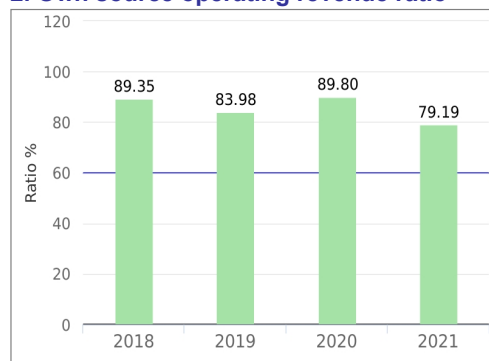
Benchmark: — > 0.00%

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 2020/21 result

2020/21 ratio 79.19%

This ratio comfortably achieved the benchmark and has done so for many years. 79.19% of Council's operating revenue was derived from internal funding sources, i.e. other than from grants and contributions. The subsequent reliance on internal funding sources such as rates and user charges provides Council with a more than adequate level of fiscal flexibility.

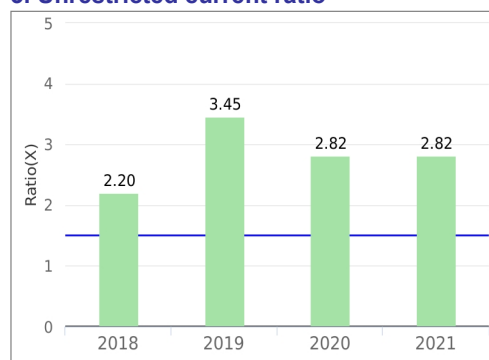
Benchmark: — > 60.00%

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 2020/21 result

2020/21 ratio 2.82x

This ratio 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 2021, for every \$1 of current liabilities to be funded from unrestricted or internally restricted cash, \$2.82 was available.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

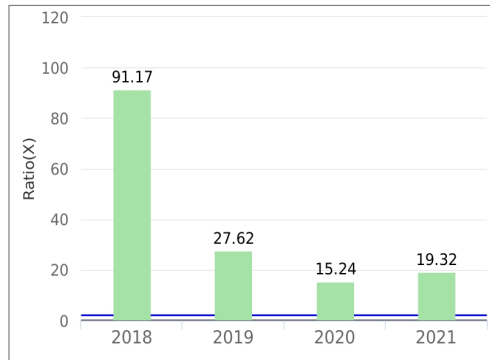
Ratio is outside benchmark

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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 2020/21 result

2020/21 ratio 19.32x

This ratio has achieved the benchmark every year since Council commenced a controlled borrowing program in 2015/16. Excluding non-cash items such as fair value adjustments, depreciation and net losses from the disposal of assets from the 2020/21 operating result, there was sufficient funds to cover annual loan interest payments 19.32 times.

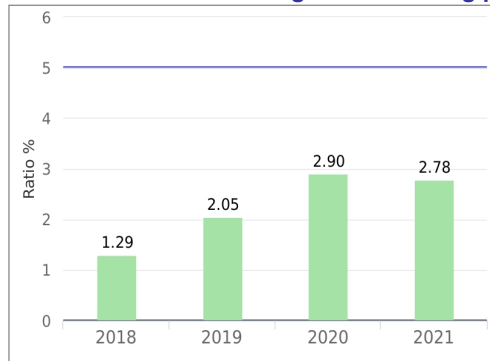
Benchmark: — > 2.00x

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 2020/21 result

2020/21 ratio 2.78%

Prior to 2018/19, overpaid rates were offset against outstanding rates when calculating uncollected rates and annual charges. This has not been the case for the last three years, resulting in a corresponding increase in this ratio. Nevertheless, it still comfortably achieved the benchmark, a reflection of the ongoing effectiveness of Council's recovery efforts.

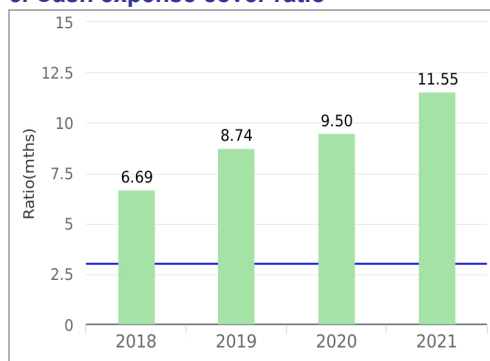
Benchmark: — < 5.00%

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 2020/21 result

2020/21 ratio 11.55 mths

This ratio comfortably achieved the benchmark and has done so for many years. At 30 June 2021, 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 11.55 months.

Benchmark: — > 3.00mths

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 2021

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**North Sydney Council**

**General Purpose Financial Statements**

for the year ended 30 June 2021

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# North Sydney Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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



## North Sydney Council

### Special Schedules

for the year ended 30 June 2021

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<b>Special Schedules:</b>	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	4

## North Sydney Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	48,530	51,765
Plus or minus adjustments <sup>2</sup>	b	(131)	375
<b>Notional general income</b>	c = a + b	<b>48,399</b>	<b>52,140</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	7.00%	7.00%
Or plus rate peg amount	i = e x (c + g)	3,388	3,650
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>51,787</b>	<b>55,790</b>
Plus (or minus) last year's carry forward total	l	36	211
Less valuation objections claimed in the previous year	m	(1)	(153)
<b>Sub-total</b>	n = (l + m)	<b>35</b>	<b>58</b>
<b>Total permissible income</b>	o = k + n	<b>51,822</b>	<b>55,848</b>
Less notional general income yield	p	51,765	55,786
<b>Catch-up or (excess) result</b>	q = o - p	<b>58</b>	<b>62</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	153	-
Less unused catch-up <sup>5</sup>	s	-	(35)
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>211</b>	<b>27</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in 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 *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## North Sydney Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		to bring assets to satisfactory standard	to bring assets to satisfactory standard					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>Buildings</b>	Buildings	539	539	2,840	2,782	130,824	210,926	66.7%	25.8%	6.0%	1.2%	0.3%	
	<b>Sub-total</b>	<b>539</b>	<b>539</b>	<b>2,840</b>	<b>2,782</b>	<b>130,824</b>	<b>210,926</b>	<b>66.7%</b>	<b>25.8%</b>	<b>6.0%</b>	<b>1.2%</b>	<b>0.3%</b>	
<b>Other structures</b>	Other structures	–	–	–	–	1,011	1,146	44.1%	55.9%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,011</b>	<b>1,146</b>	<b>44.1%</b>	<b>55.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Roads</b>	Sealed roads	1,073	1,073	1,475	1,430	189,171	260,872	34.5%	37.2%	22.2%	5.7%	0.4%	
	Footpaths	472	472	2,172	2,343	81,844	123,241	30.7%	38.1%	24.7%	6.1%	0.4%	
	Other road assets	509	509	139	154	63,248	96,525	19.8%	47.5%	28.1%	4.1%	0.5%	
	<b>Sub-total</b>	<b>2,054</b>	<b>2,054</b>	<b>3,786</b>	<b>3,927</b>	<b>334,263</b>	<b>480,638</b>	<b>30.6%</b>	<b>39.5%</b>	<b>24.0%</b>	<b>5.5%</b>	<b>0.4%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	20,435	20,435	701	757	145,973	204,553	56.6%	29.6%	2.0%	1.8%	10.0%	
	<b>Sub-total</b>	<b>20,435</b>	<b>20,435</b>	<b>701</b>	<b>757</b>	<b>145,973</b>	<b>204,553</b>	<b>56.6%</b>	<b>29.6%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>10.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	–	–	276	373	3,156	7,547	52.0%	27.4%	19.8%	0.8%	0.0%	
	Other	69	69	979	883	18,093	27,610	35.2%	31.5%	30.5%	2.5%	0.3%	
	<b>Sub-total</b>	<b>69</b>	<b>69</b>	<b>1,255</b>	<b>1,256</b>	<b>21,249</b>	<b>35,157</b>	<b>38.8%</b>	<b>30.6%</b>	<b>28.2%</b>	<b>2.1%</b>	<b>0.2%</b>	
<b>Other infrastructure assets</b>	Other	6,933	6,933	1,289	1,403	121,045	232,671	10.2%	39.3%	36.8%	10.7%	3.0%	
	<b>Sub-total</b>	<b>6,933</b>	<b>6,933</b>	<b>1,289</b>	<b>1,403</b>	<b>121,045</b>	<b>232,671</b>	<b>10.2%</b>	<b>39.3%</b>	<b>36.8%</b>	<b>10.7%</b>	<b>3.0%</b>	
<b>Total – all assets</b>		<b>30,030</b>	<b>30,030</b>	<b>9,871</b>	<b>10,125</b>	<b>754,365</b>	<b>1,165,091</b>	<b>37.9%</b>	<b>35.0%</b>	<b>19.5%</b>	<b>5.0%</b>	<b>2.6%</b>	

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

## Infrastructure asset condition assessment 'key'

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

## North Sydney Council

## Report on infrastructure assets as at 30 June 2021

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
<b>Buildings and infrastructure renewals ratio</b>						
Asset renewals <sup>1</sup>	<b>22,429</b>					
Depreciation, amortisation and impairment	<b>22,805</b>	<b>98.35%</b>	93.60%	121.48%	199.63%	>= 100.00%
<b>Infrastructure backlog ratio</b>						
Estimated cost to bring assets to a satisfactory standard <sup>2</sup>	<b>30,030</b>					
Net carrying amount of infrastructure assets	<b>771,551</b>	<b>3.89%</b>	4.01%	6.24%	6.77%	< 2.00%
<b>Asset maintenance ratio</b>						
Actual asset maintenance	<b>10,125</b>					
Required asset maintenance	<b>9,871</b>	<b>102.57%</b>	97.95%	95.35%	107.92%	> 100.00%
<b>Cost to bring assets to agreed service level</b>						
Estimated cost to bring assets to an agreed service level set by Council	<b>30,030</b>	<b>2.58%</b>	2.60%	3.77%	4.10%	
Gross replacement cost	<b>1,165,091</b>					

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

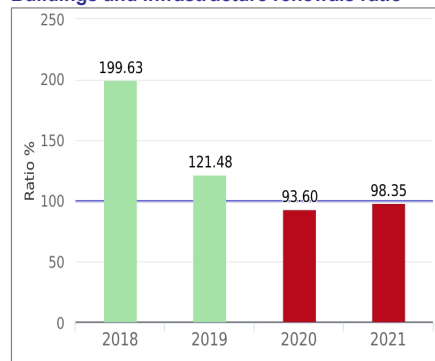
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(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 2021

**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	
20/21 ratio	98.35%

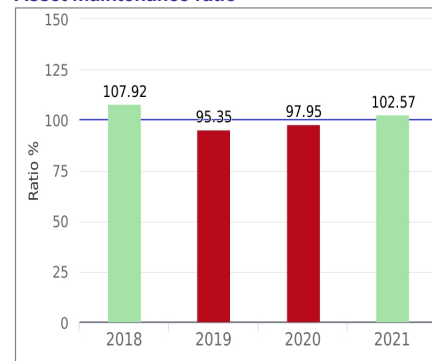
Benchmark: —  $\geq 100.00\%$

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	
20/21 ratio	102.57%

This ratio achieved the benchmark in 2020/21. This is an indication that sufficient funds were allocated to the maintenance of infrastructure to prevent the backlog from increasing.

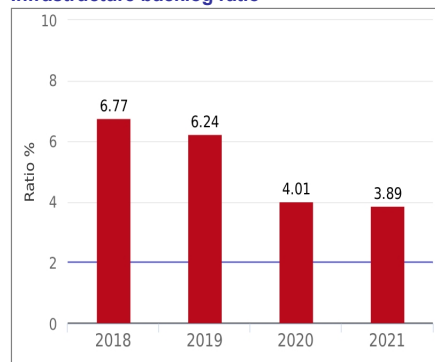
Benchmark: —  $> 100.00\%$

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	
20/21 ratio	3.89%

While improving slightly, this ratio remains above the benchmark. At 30 June 2021, Council's infrastructure backlog was estimated to be \$30.03 million, which represented 3.89% of the net carrying amount of our infrastructure.

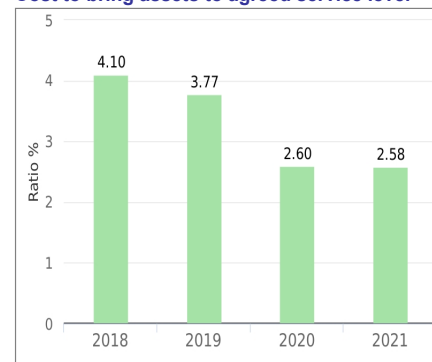
Benchmark: —  $< 2.00\%$

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	
20/21 ratio	2.58%

As at 30 June 2021, the cost to bring Council's infrastructure assets to the community's agreed service level was estimated to be \$30.03 million. This represented 2.58% of the gross replacement cost of our infrastructure.