



# **GENERAL PURPOSE AND SPECIAL PURPOSE FINANCIAL REPORTS**

*For former Manly Council*

**For the period ended 12 May 2016**

**NORTHERN BEACHES  
COUNCIL**

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

# The former Manly Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*"Manly - where the natural environment and heritage sustain and  
complement a vibrant cosmopolitan and community lifestyle"*



## The former Manly Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Manly Council.
- (ii) The former Manly Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Northern Beaches Council on 23 November 2016. Council has the power to amend and reissue these financial statements.
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## The former Manly Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

## Understanding Council's financial statements

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### Introduction

Each year, individual local governments across New South Wales are required to present a set of 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 period ended 12 May 2016.

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

This statement summarises Council's financial performance for the period, 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

An end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement 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 external accountants (that generally specialise in local government). 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.

## The former Manly Council

### General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

### 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:**

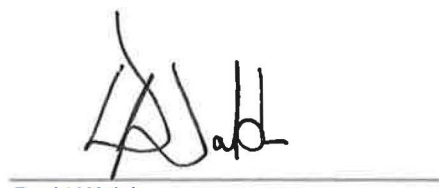
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the period, 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 Northern Beaches Council made on 22 November 2016.**

  
Dick Persson  
Administrator  
Mark Ferguson  
General Manager  
David Walsh  
Responsible Accounting Officer

## The former Manly Council

### Income Statement

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>			Actual	Actual
1/7/15			1/7/15	1/7/14
to 12/5/16	\$ '000	Notes	to 12/5/16	to 30/6/15
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
38,496	Rates and annual charges	3a	39,120 <sup>2</sup>	38,792
13,063	User charges and fees	3b	13,812	13,858
1,034	Interest and investment revenue	3c	1,041	1,581
5,368	Other revenues	3d	5,456	5,619
4,290	Grants and contributions provided for operating purposes	3e,f	5,241 <sup>3</sup>	5,260
395	Grants and contributions provided for capital purposes	3e,f	1,466	1,536
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	–	795
	Net share of interests in joint ventures and			
–	associates using the equity method	19	506	422
<b>62,647</b>	<b>Total income from continuing operations</b>		<b>66,642</b>	<b>67,863</b>
<b>Expenses from continuing operations</b>				
26,323	Employee benefits and on-costs	4a	24,879	28,924
2,109	Borrowing costs	4b	1,216	894
11,725	Materials and contracts	4c	15,741	17,284
7,399	Depreciation and amortisation	4d	8,515	8,601
–	Impairment	4d	–	–
5,149	Other expenses	4e	4,878	5,949
–	Net losses from the disposal of assets	5	432	–
<b>52,705</b>	<b>Total expenses from continuing operations</b>		<b>55,661</b>	<b>61,652</b>
<b>9,942</b>	<b>Operating result from continuing operations</b>		<b>10,981</b>	<b>6,211</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>9,942</b>	<b>Net operating result for the period</b>		<b>10,981</b>	<b>6,211</b>
9,942	Net operating result attributable to Council		10,981	6,211
–	Net operating result attributable to non-controlling interests		–	–
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>				
<b>9,547</b>			<b>9,515</b>	<b>4,675</b>

<sup>1</sup> Original budget as approved by Council is not required for these financial statements

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

<sup>3</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Manly Council

### Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
<b>Net operating result for the period</b> (as per Income Statement)		<b>10,981</b>	<b>6,211</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	–	75,512
Other comprehensive income – joint ventures and associates	19b	(171)	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(171)</b>	<b>75,512</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the period</b>		<b>(171)</b>	<b>75,512</b>
<b>Total comprehensive income for the period</b>		<b>10,810</b>	<b>81,723</b>
<b>Total comprehensive income attributable to Council</b>		<b>10,810</b>	<b>81,723</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## The former Manly Council

### Statement of Financial Position as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	19,001	23,817
Investments	6b	37,955	22,452
Receivables	7	10,094	3,940
Inventories	8	73	60
Other	8	1,025	159
Non-current assets classified as 'held for sale'	22	—	—
<b>Total current assets</b>		<b>68,148</b>	<b>50,428</b>
<b>Non-current assets</b>			
Investments	6b	—	—
Receivables	7	116	121
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	674,904	654,623
Investments accounted for using the equity method	19	2,472	2,137
Investment property	14	—	—
Intangible assets	25	—	830
<b>Total non-current assets</b>		<b>677,492</b>	<b>657,711</b>
<b>TOTAL ASSETS</b>		<b>745,640</b>	<b>708,139</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	15,757	16,270
Borrowings	10	34,093	3,639
Provisions	10	8,044	7,593
<b>Total current liabilities</b>		<b>57,894</b>	<b>27,502</b>
<b>Non-current liabilities</b>			
Payables	10	—	—
Borrowings	10	31,869	35,570
Provisions	10	203	203
<b>Total non-current liabilities</b>		<b>32,072</b>	<b>35,773</b>
<b>TOTAL LIABILITIES</b>		<b>89,966</b>	<b>63,275</b>
<b>Net assets</b>		<b>655,674</b>	<b>644,864</b>
<b>EQUITY</b>			
Retained earnings	20	327,327	316,517
Revaluation reserves	20	328,347	328,347
Council equity interest		655,674	644,864
Non-controlling equity interests		—	—
<b>Total equity</b>		<b>655,674</b>	<b>644,864</b>

## The former Manly Council

### Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		316,517	328,347	<b>644,864</b>	—	<b>644,864</b>
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
<b>Revised opening balance (as at 1/7/15)</b>		<b>316,517</b>	<b>328,347</b>	<b>644,864</b>	<b>—</b>	<b>644,864</b>
<b>c. Net operating result for the period</b>		<b>10,981</b>	—	<b>10,981</b>	—	<b>10,981</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	—	—	—	—
– Joint ventures and associates	19b	(171)	—	<b>(171)</b>	—	<b>(171)</b>
<b>Other comprehensive income</b>		<b>(171)</b>	—	<b>(171)</b>	—	<b>(171)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>10,810</b>	—	<b>10,810</b>	—	<b>10,810</b>
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
<b>Equity – balance at end of the reporting period</b>		<b>327,327</b>	<b>328,347</b>	<b>655,674</b>	<b>—</b>	<b>655,674</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		506,869	180,674	<b>687,543</b>	—	<b>687,543</b>
a. Correction of prior period errors	20 (c)	(72,161)	72,161	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	(124,402)	—	<b>(124,402)</b>	—	<b>(124,402)</b>
<b>Revised opening balance (as at 1/7/14)</b>		<b>310,306</b>	<b>252,835</b>	<b>563,141</b>	<b>—</b>	<b>563,141</b>
<b>c. Net operating result for the year</b>		<b>6,211</b>	—	<b>6,211</b>	—	<b>6,211</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	75,512	<b>75,512</b>	—	<b>75,512</b>
– Joint ventures and associates	19b	—	—	—	—	—
<b>Other comprehensive income</b>		<b>—</b>	<b>75,512</b>	<b>75,512</b>	—	<b>75,512</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>6,211</b>	<b>75,512</b>	<b>81,723</b>	—	<b>81,723</b>
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
<b>Equity – balance at end of the year</b>		<b>316,517</b>	<b>328,347</b>	<b>644,864</b>	<b>—</b>	<b>644,864</b>

## The former Manly Council

### Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>			Actual	Actual
1/7/15			1/7/15	1/7/14
to 12/5/16	\$ '000	Notes	to 12/5/16	to 30/6/15
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
38,446	Rates and annual charges		32,267	39,190
13,018	User charges and fees		15,834	14,868
1,107	Investment and interest revenue received		1,191	1,497
4,689	Grants and contributions		6,662	6,953
–	Bonds, deposits and retention amounts received		781	62
5,356	Other		6,607	7,403
<b>Payments:</b>				
(26,324)	Employee benefits and on-costs		(24,685)	(28,349)
(11,815)	Materials and contracts		(16,312)	(17,704)
(1,926)	Borrowing costs		(1,234)	(876)
(5,149)	Other		(7,021)	(6,479)
<b>17,402</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>14,090</b>	<b>16,565</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
8,974	Sale of investment securities		2,494	4,530
688	Sale of infrastructure, property, plant and equipment		570	5,269
–	Distributions received from joint ventures and associates		171	86
<b>Payments:</b>				
–	Purchase of investment securities		(17,991)	–
(40,574)	Purchase of infrastructure, property, plant and equipment		(30,903)	(17,640)
<b>(30,913)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(45,659)</b>	<b>(7,755)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
22,000	Proceeds from borrowings and advances		30,000	12,000
<b>Payments:</b>				
(3,144)	Repayment of borrowings and advances		(3,224)	(3,340)
(22)	Repayment of finance lease liabilities		(23)	(23)
<b>18,834</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>26,753</b>	<b>8,637</b>
<b>5,324</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,816)</b>	<b>17,447</b>
2,559	Plus: cash and cash equivalents – beginning of reporting period	11a	23,817	6,370
<b>7,883</b>	<b>Cash and cash equivalents – end of reporting period</b>	11a	<b>19,001</b>	<b>23,817</b>
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	37,955	22,452
	<b>Total cash, cash equivalents and investments</b>		<b>56,956</b>	<b>46,269</b>

<sup>1</sup> The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

### (a) Basis of preparation

#### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

#### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act* (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

#### (iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

#### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

#### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

#### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

##### **Critical accounting estimates and assumptions**

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 are set out below:

##### **(i) Preparation of the financial statements on a going concern basis**

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Manly Council has been amalgamated into Northern Beaches Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Northern Beaches Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Manly Council has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

(iii) Estimated fair values of infrastructure, property, plant and equipment,

(iv) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

Rates and annual charges are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

The former Manly Council has recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Northern Beaches Council.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

A detailed note relating to developer contributions can be found at Note 17.

##### **User charges, fees and other Income**

User charges, fees and other income (including parking 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 first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

##### **Sale of infrastructure, property, plant and equipment**

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

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

##### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

##### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

##### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- Council's General Purpose Operations
- Manly Meals on Wheels

##### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the

Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

##### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

##### Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Detailed information relating to Council's interest in associates can be found at Note 19 (b).

The results of all joint ventures and associates for the financial year to 30 June 2016 have been used in determining the result for equity accounting purposes with any significant transactions which occurred between 12 May 2016 and 30 June 2016 being adjusted/excluded.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

##### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

##### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

than 12 months from the reporting date, which are classified as current assets.

##### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### **Financial assets – reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General accounting and measurement of financial instruments:

##### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent measurement

**Available-for-sale financial assets and financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables and held-to-maturity investments** are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be

able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### **(i) Inventories**

##### **(i) Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### **(ii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (Internal Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

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.

##### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$5,000
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##### Stormwater Assets

Drainage Infrastructure	> \$10,000
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##### Transport Assets

Road construction & reconstruction	> \$10,000
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##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

- Office furniture	10 years
- Computer Equipment	4 to 5 years
- Vehicles, Light Plant & Other Plant	5 years
- Heavy Plant/Earthmoving equip.	6 years

##### Other Equipment

- Playground equipment	5 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Buildings	50 to 100 years
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##### Stormwater Drainage

- Pollution Devices	30 years
- Drainage Pits	30 years
- Drainage Pipes & Culverts	100 years
- Concrete Channels	70 years

##### Transportation Assets

- Sealed Roads: Surface	15 years
- Sealed Roads: Structure	100 years
- Footpaths	30 to 50 years
- Kerb, Channel & Gutter	70 years

##### Other Infrastructure Assets

- Swimming Pools	20 to 100 years
- Other Open Space/ Recreational Assets	5 to 50 years
- Other Infrastructure	20 to 100 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

##### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### (l) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

##### (m) Intangible assets

Council has classified one assets as intangible.

Council's interest in Kimbriki Waste Services Access Rights is recognised as an intangible asset and was being amortised over the life of the asset (25 years) on a straight line basis.

The asset ceased to have value on proclamation and the unmortised balance has been written off.

##### (n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

##### (p) Investment property

Council has not classified any assets under this classification.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries**

Council has not classified any assets under this classification.

##### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

##### **(s) Impairment of assets**

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### **(t) Payables**

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### **(u) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### (x) Employee benefits

##### (i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

##### (ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

#### (iii) 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.

#### Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24/02/2016 and covers the period ended 30/06/2016.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 465,183.

The amount of additional contributions included in the total employer contribution advised above is \$322,726.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 422,287 as at 12 May 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

##### Defined contribution 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.

##### (iv) Employee benefit on-costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

##### (y) Self-insurance

Council does not self-insure.

##### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

##### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

##### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

**AASB 9 – Financial Instruments**

**AASB 15 – Revenue from Contracts with Customers and associated amending standards**

**AASB ED 260 – Income of Not-for-Profit Entities**

**AASB16 – Leases**

**AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

**AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

**AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]**

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### (ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

##### (ad) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### (ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	–	–	–	3,834	2,517	2,936	(3,834)	(2,517)	(2,936)	–	–	(792)	–
Administration	4,985	6,559	7,814	1,602	1,651	2,578	3,383	4,908	5,236	590	631	85,021	79,084
Public order and safety	2,281	2,378	2,313	4,097	4,334	4,496	(1,816)	(1,956)	(2,183)	–	–	14,294	14,349
Health	199	215	209	825	816	925	(626)	(601)	(716)	–	–	1,136	1,150
Environment	10,419	10,946	11,842	14,311	14,983	16,427	(3,892)	(4,037)	(4,585)	377	437	33,592	31,772
Community services and education	5,382	4,719	5,419	5,358	5,699	6,429	24	(980)	(1,010)	1,824	2,044	17,367	17,380
Housing and community amenities	152	189	222	2,449	2,945	2,826	(2,297)	(2,756)	(2,604)	122	120	29,341	29,657
Recreation and culture	2,141	2,047	2,032	9,910	11,468	13,530	(7,769)	(9,421)	(11,498)	166	160	219,319	190,742
Mining, manufacturing and construction	705	770	730	2,158	2,446	2,923	(1,453)	(1,676)	(2,193)	–	–	–	–
Transport and communication	7,462	8,263	7,634	6,893	7,536	7,215	569	727	419	552	276	340,718	338,630
Economic affairs	483	562	598	1,268	1,266	1,367	(785)	(704)	(769)	–	–	3,172	3,238
<b>Total functions and activities</b>	<b>34,209</b>	<b>36,648</b>	<b>38,813</b>	<b>52,705</b>	<b>55,661</b>	<b>61,652</b>	<b>(18,496)</b>	<b>(19,013)</b>	<b>(22,839)</b>	<b>3,631</b>	<b>3,668</b>	<b>743,168</b>	<b>706,002</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	506	422	–	–	–	–	506	422	–	–	2,472	2,137
General purpose income <sup>2</sup>	28,438	29,488	28,628	–	–	–	28,438	29,488	28,628	1,332	1,347	–	–
<b>Operating result from continuing operations</b>	<b>62,647</b>	<b>66,642</b>	<b>67,863</b>	<b>52,705</b>	<b>55,661</b>	<b>61,652</b>	<b>9,942</b>	<b>10,981</b>	<b>6,211</b>	<b>4,963</b>	<b>5,015</b>	<b>745,640</b>	<b>708,139</b>

1. Original Budget disclosures are not required for these financial statements.

2. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions

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

##### **GOVERNANCE**

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

##### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

##### **PUBLIC ORDER AND SAFETY**

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

##### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

##### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

##### **HOUSING AND COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

##### **RECREATION AND CULTURE**

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

##### **TRANSPORT AND COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

##### **ECONOMIC AFFAIRS**

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

### Note 3. Income from continuing operations

		Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
<b>(a) Rates and annual charges <sup>1,2</sup></b>			
<b>Ordinary rates</b>			
Residential		22,261	21,523
Business		4,987	4,629
<b>Total ordinary rates</b>		<b>27,248</b>	<b>26,152</b>
<b>Special rates</b>			
Business		1,335	1,217
<b>Total special rates</b>		<b>1,335</b>	<b>1,217</b>
		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		10,146	11,030
Stormwater management services		346	361
Section 611 charges		45	32
<b>Total annual charges</b>		<b>10,537</b>	<b>11,423</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>39,120</u></b>	<b><u>38,792</u></b>

<sup>1</sup> Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		55	50
<b>Total user charges</b>		<b>55</b>	<b>50</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		112	169
Planning and building regulation		920	875
<b>Total fees and charges – statutory/regulatory</b>		<b>1,032</b>	<b>1,044</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Admission and service fees		2,996	3,526
Filming		10	9
Footpath rental		852	669
Licence – advertising signs		458	451
Parking fees		6,473	6,353
Rental and hire of non-investment property		235	214
Restoration charges		141	58
Sundry sales		353	223
Swimming centres		1,080	1,139
Other		127	122
<b>Total fees and charges – other</b>		<b>12,725</b>	<b>12,764</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>13,812</b>	<b>13,858</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)	60	80
– Interest earned on investments (interest and coupon payment income)	975	1,487
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	6	14
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,041</u>	<u>1,581</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	60	80
General Council cash and investments	848	1,363
Restricted investments/funds – external:		
Development contributions		
– Section 94	133	138
<u>Total interest and investment revenue recognised</u>	<u>1,041</u>	<u>1,581</u>
(d) Other revenues		
Fines	2,392	2,263
Legal fees recovery – rates and charges (extra charges)	162	132
Legal fees recovery – other	17	46
Commissions and agency fees	13	17
Diesel rebate	31	27
Food and wine/jazz festival income	169	286
Insurance claim recoveries	80	559
Lease rental	1,850	1,656
Recycling income (non-domestic)	19	12
Sales – general	373	338
Workers compensation OHS rebates/incentives	–	95
Other	350	188
<u>TOTAL OTHER REVENUE</u>	<u>5,456</u>	<u>5,619</u>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
\$ '000	Operating	Operating	Capital	Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	908 <sup>1</sup>	914	–	–
Financial assistance – local roads component	311 <sup>1</sup>	314	–	–
Pensioners' rates subsidies – general component	113	119	–	–
<b>Total general purpose</b>	<b>1,332</b>	<b>1,347</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	66	67	–	–
Community care	1,824	2,012	–	–
Employment and training programs	–	32	–	–
Environmental programs	308	346	–	–
Heritage and cultural	50	45	–	–
Library – per capita	83	82	–	–
Library – special projects	33	33	–	–
LIRS subsidy	590	631	–	–
Recreation and culture	3	24	–	–
Street lighting	122	120	–	–
Transport (roads to recovery)	499	188	–	–
Transport (other roads and bridges funding)	53	88	–	–
<b>Total specific purpose</b>	<b>3,631</b>	<b>3,668</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>4,963</b>	<b>5,015</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,415	1,293	–	–
– State funding	3,100	3,256	–	–
– Other funding	448	466	–	–
	<b>4,963</b>	<b>5,015</b>	<b>–</b>	<b>–</b>

<sup>1</sup> Council has recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the FAGs revenue for the period 1/7/2015 to 30/6/2016. Expenditure obligations for the period 13/5/2016 to 30/6/2016 will be included in the financial statements of the new Northern Beaches Council.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	1,176	1,536
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>1,176</b>	<b>1,536</b>
<b>Other contributions:</b>				
Community services	–	4	–	–
Dedications (other than by S94)	–	–	290	–
Environmental programs	3	11	–	–
Recreation and culture	112	69	–	–
RMS contributions (regional roads, block grant)	163	161	–	–
<b>Total other contributions</b>	<b>278</b>	<b>245</b>	<b>290</b>	<b>–</b>
<b>Total contributions</b>	<b>278</b>	<b>245</b>	<b>1,466</b>	<b>1,536</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>5,241</b>	<b>5,260</b>	<b>1,466</b>	<b>1,536</b>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
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#### (g) Restrictions relating to grants and contributions

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	8,370	7,288
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	278	2,041
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(4,139)	(959)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(3,861)</b>	<b>1,082</b>
<b>Unexpended and held as restricted assets</b>	<b>4,509</b>	<b>8,370</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	864	916
– Developer contributions	3,645	7,454
	<b>4,509</b>	<b>8,370</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(a) Employee benefits and on-costs		
Salaries and wages	20,412	22,940
Travel expenses	4	5
Employee leave entitlements (ELE)	3,502	3,585
Superannuation – defined contribution plans	2,096	2,716
Workers' compensation insurance	385	496
Fringe benefit tax (FBT)	128	121
Training costs (other than salaries and wages)	173	259
Other	16	20
<b>Total employee costs</b>	<b>26,716</b>	<b>30,142</b>
Less: capitalised costs	(1,837)	(1,218)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>24,879</b>	<b>28,924</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016	318	338
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	1,547	1,767
Charges relating to finance leases	2	5
<b>Total interest bearing liability costs</b>	<b>1,549</b>	<b>1,772</b>
Less: capitalised costs	(333)	(878)
<b>Total interest bearing liability costs expensed</b>	<b>1,216</b>	<b>894</b>
(ii) Other borrowing costs		
Nil		
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>1,216</b>	<b>894</b>
(c) Materials and contracts		
Raw materials and consumables	12,686	14,188
Capitalised plant hire	(122)	(95)
Contractor and consultancy costs	2,053	1,950
Auditors remuneration <sup>(1)</sup>	91	115
Legal expenses:		
– Legal expenses: planning and development	723	828
– Legal expenses: other	310	298
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>15,741</b>	<b>17,284</b>
(continued on the next page...)		

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## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

		Actual	Actual
		1/7/15	1/7/14
\$ '000	Notes	to 12/5/16	to 30/6/15
(c) Materials and contracts (continued)			
Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		39	45
– Other audit and assurance services: internal auditor		52	70
Remuneration for audit and other assurance services		91	115
Total Auditor remuneration		91	115

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	1,271	1,628
Office equipment		—	—	989	694
Furniture and fittings		—	—	293	339
Property, plant and equipment – leased		—	—	15	50
Land improvements (depreciable)		—	—	998	1,190
Infrastructure:					
– Buildings – non-specialised		—	—	456	495
– Buildings – specialised		—	—	583	705
– Other structures		—	—	152	166
– Roads		—	—	1,374	1,402
– Bridges		—	—	8	21
– Footpaths		—	—	659	848
– Stormwater drainage		—	—	242	405
– Swimming pools		—	—	183	125
– Other open space/recreational assets		—	—	269	295
Other assets					
– Library books		—	—	193	195
Intangible assets	25	—	—	830	43
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>—</b>	<b>—</b>	<b>8,515</b>	<b>8,601</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(e) Other expenses		
Other expenses for the period include the following:		
Bad and doubtful debts	(31)	127
Bank charges	190	204
Contributions/levies to other levels of government	944	1,070
Councillor expenses – mayoral fee	37	39
Councillor expenses – councillors’ fees	152	161
Councillors’ expenses (incl. mayor) – other (excluding fees above)	45	83
Donations, contributions and assistance to other organisations (Section 356)	255	358
Electricity and heating	617	799
Insurance	975	1,309
Postage	114	96
Street lighting	644	739
Subscriptions and publications	316	333
Telephone and communications	209	234
Valuation fees	59	62
Water rates and charges	329	303
Other	23	32
TOTAL OTHER EXPENSES	4,878	5,949

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 5. Gains or losses from the disposal of assets

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
<b>Property</b> (excl. investment property)		
Proceeds from disposal – property	–	4,848
Less: carrying amount of property assets sold/written off	(1)	(4,302)
<b>Net gain/(loss) on disposal</b>	<b>(1)</b>	<b>546</b>
<b>Plant and equipment</b>		
Proceeds from disposal – plant and equipment	570	421
Less: carrying amount of plant and equipment assets sold/written off	(379)	(172)
<b>Net gain/(loss) on disposal</b>	<b>191</b>	<b>249</b>
<b>Infrastructure</b>		
Less: carrying amount of infrastructure assets sold/written off	(622)	–
<b>Net gain/(loss) on disposal</b>	<b>(622)</b>	<b>–</b>
<b>Financial assets</b>		
Proceeds from disposal/redemptions/maturities – financial assets	2,494	4,530
Less: carrying amount of financial assets sold/redeemed/matured	(2,494)	(4,530)
<b>Net gain/(loss) on disposal</b>	<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>	<b>(432)</b>	<b>795</b>

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 6a. – Cash assets and Note 6b. – investments

		12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
\$ '000	Notes				
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		459	–	590	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,542	–	12,227	–
– Short-term deposits		15,000	–	11,000	–
<b>Total cash and cash equivalents</b>		<b>19,001</b>	<b>–</b>	<b>23,817</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		37,955	–	21,958	–
– NCD's, FRN's (with maturities > 3 months)		–	–	494	–
<b>Total investments</b>		<b>37,955</b>	<b>–</b>	<b>22,452</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>56,956</b>	<b>–</b>	<b>46,269</b>	<b>–</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were  
classified at end of period in accordance with  
AASB 139 as follows:**

#### Cash and cash equivalents

<b>a. 'At fair value through the profit and loss'</b>	<b>19,001</b>	<b>–</b>	<b>23,817</b>	<b>–</b>
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#### Investments

**a. 'At fair value through the profit and loss'**

– 'Held for trading'	6(b-i)	–	–	494	–
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<b>b. 'Held to maturity'</b>	6(b-ii)	37,955	–	21,958	–
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<b>Investments</b>		<b>37,955</b>	<b>–</b>	<b>22,452</b>	<b>–</b>
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 6b. investments (continued)

	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
\$ '000				
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at beginning of period	494	—	480	—
Revaluations (through the Income Statement)	6	—	14	—
Disposals (sales and redemptions)	(500)	—	—	—
<b>Balance at end of period</b>	<b>—</b>	<b>—</b>	<b>494</b>	<b>—</b>
<b>Comprising:</b>				
— NCD's, FRN's (with maturities > 3 months)	—	—	494	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>494</b>	<b>—</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at beginning of period	21,958	—	26,488	—
Additions	17,991	—	—	—
Disposals (sales and redemptions)	(1,994)	—	(4,530)	—
<b>Balance at end of period</b>	<b>37,955</b>	<b>—</b>	<b>21,958</b>	<b>—</b>
<b>Comprising:</b>				
— Long term deposits	37,955	—	21,958	—
<b>Total</b>	<b>37,955</b>	<b>—</b>	<b>21,958</b>	<b>—</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 6c. Restricted cash, cash equivalents and investments – details

	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
<b>\$ '000</b>				
<b>Total cash, cash equivalents and investments</b>	<b>56,956</b>	<b>–</b>	<b>46,269</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	5,229	–	9,216	–
Internal restrictions (refer below)	44,324	–	30,392	–
Unrestricted	7,403	–	6,661	–
	<b>56,956</b>	<b>–</b>	<b>46,269</b>	<b>–</b>
<b>1/7/15 to 12/5/16</b>	<b>Opening balance</b>	<b>Transfers to restrictions</b>	<b>Transfers from restrictions</b>	<b>Closing balance</b>
<b>\$ '000</b>				
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Nil				
<b>External restrictions – other</b>				
Developer contributions – general (A)	7,454	1,309	(5,118)	3,645
Specific purpose unexpended grants (B)	916	–	(52)	864
Domestic waste management (C)	126	–	(126)	–
Other	720	–	–	720
<b>External restrictions – other</b>	<b>9,216</b>	<b>1,309</b>	<b>(5,296)</b>	<b>5,229</b>
<b>Total external restrictions</b>	<b>9,216</b>	<b>1,309</b>	<b>(5,296)</b>	<b>5,229</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement	603	–	(128)	475
Infrastructure replacement	6,312	–	(1,520)	4,792
Employees leave entitlement	1,528	121	–	1,649
Deposits, retentions and bonds	1,877	617	–	2,494
Balgowah area improvements	600	84	–	684
Depot redevelopment	152	–	–	152
Environment levy	958	964	(647)	1,275
Manly wharf forecourt	50	–	–	50
Meals on wheels	236	8	–	244
Shelly beach improvements	9	–	–	9
Unexpended loans	18,067	30,000	(15,567)	32,500
<b>Total internal restrictions</b>	<b>30,392</b>	<b>31,794</b>	<b>(17,862)</b>	<b>44,324</b>
<b>TOTAL RESTRICTIONS</b>	<b>39,608</b>	<b>33,103</b>	<b>(23,158)</b>	<b>49,553</b>

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Purpose</b>					
Rates and annual charges		7,406 <sup>1</sup>	120 <sup>1</sup>	562	111
Interest and extra charges		68	–	145	15
User charges and fees		1,313	–	941	–
Accrued revenues					
– Interest on investments		197	–	261	–
– Other income accruals		199	–	612	–
Government grants and subsidies		320	–	539	–
Net GST receivable		660	–	1,016	–
Other debtors		3	–	20	–
<b>Total</b>		<b>10,166</b>	<b>120</b>	<b>4,096</b>	<b>126</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(12)	(4)	(11)	(5)
User charges and fees		(60)	–	(145)	–
<b>Total provision for impairment – receivables</b>		<b>(72)</b>	<b>(4)</b>	<b>(156)</b>	<b>(5)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>10,094</u></b>	<b><u>116</u></b>	<b><u>3,940</u></b>	<b><u>121</u></b>
<b>Externally restricted receivables</b>					
<b>Domestic waste management</b>		2,071	–	168	–
<b>Total external restrictions</b>		<b>2,071</b>	<b>–</b>	<b>168</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>8,023</b>	<b>116</b>	<b>3,772</b>	<b>121</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>10,094</u></b>	<b><u>116</u></b>	<b><u>3,940</u></b>	<b><u>121</u></b>

<sup>1</sup> The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property. Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/05/16 to 30/06/16.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		73	–	60	–
<b>Total inventories at cost</b>		<b>73</b>	<b>–</b>	<b>60</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>73</u></b>	<b><u>–</u></b>	<b><u>60</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		1,025	–	159	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>1,025</u></b>	<b><u>–</u></b>	<b><u>159</u></b>	<b><u>–</u></b>
<b>Externally restricted assets</b>					
<b>Domestic waste management</b>					
Prepayments		166	–	–	–
<b>Total domestic waste management</b>		<b>166</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total externally restricted assets</b>		<b>166</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>932</b>	<b>–</b>	<b>219</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b><u>1,098</u></b>	<b><u>–</u></b>	<b><u>219</u></b>	<b><u>–</u></b>

#### Other disclosures

##### Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## The former Manly Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period					as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment									depreciation	impairment	
Capital work in progress	11,416	–	–	–	11,416	–	(10,619)	(574)	–	–	223	–	–	–	223
Plant and equipment	–	13,942	9,478	–	4,464	–	1,240	(354)	(1,271)	–	–	13,754	9,675	–	4,079
Office equipment	–	10,888	8,411	–	2,477	–	605	(25)	(989)	–	–	11,376	9,308	–	2,068
Furniture and fittings	–	6,605	3,887	–	2,718	–	174	–	(293)	–	–	6,779	4,180	–	2,599
Plant and equipment (under finance lease)	–	484	438	–	46	–	–	–	(15)	–	–	484	453	–	31
<b>Land:</b>															
– Operational land	–	76,488	–	–	76,488	–	–	–	–	4,225	–	80,713	–	–	80,713
– Community land	–	123,027	–	–	123,027	–	290	–	–	(4,225)	–	119,092	–	–	119,092
Land improvements – non-depreciable	–	13,643	–	–	13,643	–	10	–	–	–	–	13,653	–	–	13,653
Land improvements – depreciable	–	37,467	14,476	–	22,991	954	289	–	(998)	–	–	38,594	15,358	–	23,236
<b>Infrastructure:</b>															
– Buildings – non-specialised	–	39,880	8,347	–	31,533	355	122	(1)	(456)	–	–	40,354	8,801	–	31,553
– Buildings – specialised	–	60,370	17,047	–	43,323	1,090	18,351	–	(583)	–	–	79,812	17,631	–	62,181
– Other structures	–	36,882	7,519	–	29,363	116	–	–	(152)	–	–	36,997	7,670	–	29,327
– Roads	–	223,696	24,674	–	199,022	1,621	–	(48)	(1,374)	–	–	225,225	26,004	–	199,221
– Bridges	–	1,040	90	–	950	65	–	–	(8)	–	–	1,105	98	–	1,007
– Footpaths	–	60,536	12,898	–	47,638	2,663	–	–	(659)	–	–	63,199	13,557	–	49,642
– Stormwater drainage	–	46,541	14,769	–	31,772	389	1,672	–	(242)	–	–	48,606	15,015	–	33,591
– Swimming pools	–	7,450	2,481	–	4,969	415	8,577	–	(183)	–	–	16,442	2,664	–	13,778
– Other open space/recreational assets	–	6,935	4,086	–	2,849	407	–	–	(269)	–	–	7,342	4,355	–	2,987
<b>Other assets:</b>															
– Heritage collections	–	4,477	–	–	4,477	–	1	–	–	–	–	4,478	–	–	4,478
– Library books	–	5,466	4,009	–	1,457	–	181	–	(193)	–	–	5,647	4,202	–	1,445
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>11,416</b>	<b>775,817</b>	<b>132,610</b>	<b>–</b>	<b>654,623</b>	<b>8,075</b>	<b>20,893</b>	<b>(1,002)</b>	<b>(7,685)</b>	<b>–</b>	<b>223</b>	<b>813,652</b>	<b>138,971</b>	<b>–</b>	<b>674,904</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	4,413	3,484	<b>929</b>	–	4,320	3,017	<b>1,303</b>
Buildings	–	496	–	<b>496</b>	–	–	–	–
<b>Total DWM</b>	–	<b>4,909</b>	<b>3,484</b>	<b>1,425</b>	–	<b>4,320</b>	<b>3,017</b>	<b>1,303</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	–	<b>4,909</b>	<b>3,484</b>	<b>1,425</b>	–	<b>4,320</b>	<b>3,017</b>	<b>1,303</b>

#### Note 9c. Infrastructure, property, plant and equipment – current period impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Payables</b>					
Goods and services – operating expenditure		3,536	–	2,520	–
Goods and services – capital expenditure		2,255	–	4,309	–
Payments received in advance		1,881	–	402	–
Accrued expenses:					
– Borrowings		426	–	444	–
– Salaries and wages		–	–	189	–
– Other expenditure accruals		41	–	1,710	–
Security bonds, deposits and retentions		7,345	–	6,564	–
Other		273	–	132	–
<b>Total payables</b>		<b>15,757</b>	<b>–</b>	<b>16,270</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		34,088	31,869	3,636	35,545
Finance lease liabilities		5	–	3	25
<b>Total borrowings</b>		<b>34,093</b>	<b>31,869</b>	<b>3,639</b>	<b>35,570</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		2,159	–	2,106	–
Sick leave		184	–	170	–
Long service leave		5,358	191	4,661	191
ELE on-costs		343	12	656	12
<b>Total provisions</b>		<b>8,044</b>	<b>203</b>	<b>7,593</b>	<b>203</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>57,894</b>	<b>32,072</b>	<b>27,502</b>	<b>35,773</b>
<b>(i) Liabilities relating to restricted assets</b>					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Externally restricted assets</b>					
Domestic waste management		2,237	–	–	–
Liabilities relating to externally restricted assets		2,237	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>2,237</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>55,657</b>	<b>32,072</b>	<b>27,502</b>	<b>35,773</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>57,894</b>	<b>32,072</b>	<b>27,502</b>	<b>35,773</b>

<sup>1</sup> 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 15.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 10a. Payables, borrowings and provisions (continued)

	Actual 12/5/16	Actual 30/6/15
\$ '000		
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,398	4,800
Payables – security bonds, deposits and retentions	6,610	5,900
	<b>12,008</b>	<b>10,700</b>

#### Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	2,106	1,700	(1,647)	–	–	2,159
Sick leave	170	5	(15)	24	–	184
Long service leave	4,852	960	(263)	–	–	5,549
ELE on-costs	668	(15)	(264)	–	(34)	355
<b>TOTAL</b>	<b>7,796</b>	<b>2,650</b>	<b>(2,189)</b>	<b>24</b>	<b>(34)</b>	<b>8,247</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	19,001	23,817
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>19,001</b>	<b>23,817</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>10,981</b>	<b>6,211</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		8,515	8,601
Net losses/(gains) on disposal of assets		432	(795)
Non-cash capital grants and contributions		(290)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(6)	(14)
Share of net (profits) or losses of associates/joint ventures		(506)	(422)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(6,064)	(699)
Increase/(decrease) in provision for doubtful debts		(85)	130
Decrease/(increase) in inventories		(13)	(29)
Decrease/(increase) in other assets		(866)	(14)
Increase/(decrease) in payables		1,016	1,340
Increase/(decrease) in accrued interest payable		(18)	18
Increase/(decrease) in other accrued expenses payable		(1,858)	1,720
Increase/(decrease) in other liabilities		2,401	83
Increase/(decrease) in employee leave entitlements		451	435
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,090</b>	<b>16,565</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		290	–
<b>Total non-cash investing and financing activities</b>		<b>290</b>	<b>–</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		400	400
Credit cards/purchase cards		30	30
<b>Total financing arrangements</b>		<b>430</b>	<b>430</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		7	17
<b>Total financing arrangements utilised</b>		<b>7</b>	<b>17</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

#### Note 12. Commitments for expenditure

##### **(a) Capital commitments (exclusive of GST)**

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

##### **Property, plant and equipment**

Buildings	6	7
Plant and equipment	361	193
Other structures	188	6
Other - road works	64	550
Drainage	17	–
<b>Total commitments</b>	<b>636</b>	<b>756</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	636	756
<b>Total payable</b>	<b>636</b>	<b>756</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	636	206
Unexpended loans	–	550
<b>Total sources of funding</b>	<b>636</b>	<b>756</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15		
(b) Finance lease commitments					
(i) Commitments under finance leases at the reporting date are payable as follows:					
Within the next year		5	27		
Later than one year and not later than 5 years		—	3		
Later than 5 years		—	—		
<b>Total minimum lease payments</b>		<b>5</b>	<b>30</b>		
Less: future finance charges		—	(2)		
<b>Amount recognised as a liability</b>		<b>5</b>	<b>28</b>		
(ii) Finance lease liability recognised represent;					
Current liabilities		5	3		
Non-current liabilities		—	25		
<b>Total finance lease liabilities disclosed</b>		<b>5</b>	<b>28</b>		
(iii) General details					
Council leases the following property, plant and equipment under finance leases:					
	Term (years)	Option to purchase	Contingent rent clauses		
Other equipment/assets	4	Y	N	5	28
<b>Total carrying value at end of period</b>				<b>5</b>	<b>28</b>

#### (c) Operating lease commitments (non-cancellable)

Nil

#### (d) Investment property commitments

Nil

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	9,435	14.59%	5.29%	3.41%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	64,664			
2. Own source operating revenue ratio				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	59,423	89.86%	89.80%	90.02%
Total continuing operating revenue <sup>(1)</sup>	66,130			
3. Unrestricted current ratio				
Current assets less all external restrictions <sup>(2)</sup>	60,682	1.39x	2.44x	2.75x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	43,649			
4. Debt service cover ratio				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	19,166	4.29x	3.04x	3.47x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,463			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	7,578	18.87%	2.04%	2.81%
Rates, annual and extra charges collectible	40,159			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	56,956	13.02 mths	9.7 mths	7.0 mths
Payments from cash flow of operating and financing activities	4,375			

#### Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 14.59%</b></p> <p>The result includes rates income for the period 13 May 2016 to 30 June 2016. The 49 days of rates income is \$3.827 million. Excluding this income would still have yielded a strong result of 9.9% due to increased revenue and containment of expenses.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 89.86%</b></p> <p>This year's good result is a continuation of the past several years trend of exceeding both the OLG and TCorp benchmarks.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 1.39x</b></p> <p>This year's result reflects the decision of the new amalgamated council NBC to repay the loan of \$30million for the Manly Oval Carpark. Hence the full loan liability has been classified as a current liability.</p>

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>4. Debt service cover ratio</b></p> <p>Benchmark: — Minimum <math>\geq 2.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 4.29x</b></p> <p>The result includes rates income for the period 13 May 2016 to 30 June 2016. However if that income were removed the outcome would still be an above benchmark figure of 3.44x.</p>
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <p>Benchmark: — Maximum <math>&lt; 5.00\%</math></p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 18.87%</b></p> <p>This result has been impacted by the fourth rates instalment due on 31 May 2016. If the outstanding amount was adjusted for the fourth rates instalment then the ratio would be in the range of 2% to 2.5%.</p>
<p><b>6. Cash expense cover ratio</b></p> <p>Benchmark: — Minimum <math>\geq 3.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 13.02 mths</b></p> <p>The result reflects the loan of \$30 million drawn down for the Manly Oval Carpark.</p>

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

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.

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Financial assets</b>				
Cash and cash equivalents	19,001	23,817	19,001	23,817
Investments				
– 'Held for trading'	–	494	–	494
– 'Held to maturity'	37,955	21,958	37,955	21,958
Receivables	10,210	4,061	10,210	4,060
<b>Total financial assets</b>	<b>67,166</b>	<b>50,330</b>	<b>67,166</b>	<b>50,329</b>
<b>Financial liabilities</b>				
Payables	13,876	15,868	13,876	15,868
Loans/advances	65,957	39,181	65,957	39,181
Lease liabilities	5	28	5	28
<b>Total financial liabilities</b>	<b>79,838</b>	<b>55,077</b>	<b>79,838</b>	<b>55,077</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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

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. 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.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **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 – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 1% movement in interest rates	65	65	(65)	(65)
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 1% movement in interest rates	150	150	(150)	(150)

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

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.

A profile of Council's receivables credit risk at balance date follows:

		12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		98%	52%	82%	59%
Overdue		2%	48%	18%	41%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	Current	7,365	1,435	520	2,072
< 1 year overdue	0 – 30 days overdue	35	568	41	220
1 – 2 years overdue	30 – 60 days overdue	34	174	39	477
2 – 5 years overdue	60 – 90 days overdue	92	117	73	177
> 5 years overdue	> 90 days overdue	–	466	–	603
		<b>7,526</b>	<b>2,760</b>	<b>673</b>	<b>3,549</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
				12/5/16	30/6/15
Balance at the beginning of the period				161	31
+ new provisions recognised during the period				50	139
– amounts already provided for and written off this period				(135)	(2)
– previous impairment losses reversed				–	(7)
<b>Balance at the end of the period</b>				<b>76</b>	<b>161</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

Payables 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.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	7,345	6,531	—	—	—	—	—	13,876	13,876
Loans and advances	—	34,088	3,406	3,465	3,327	3,393	18,278	65,957	65,957
Lease liabilities	—	5	—	—	—	—	—	5	5
Total financial liabilities	7,345	40,624	3,406	3,465	3,327	3,393	18,278	79,838	79,838
1/7/14 to 30/6/15									
Trade/other payables	6,564	9,304	—	—	—	—	—	15,868	15,868
Loans and advances	—	3,636	3,640	3,388	3,447	3,310	21,760	39,181	39,181
Lease liabilities	—	28	—	—	—	—	—	28	28
Total financial liabilities	6,564	12,968	3,640	3,388	3,447	3,310	21,760	55,077	55,077

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	13,876	0.50%	15,868	1.00%
Loans and advances – fixed interest rate	15,830	4.78%	17,960	4.78%
Loans and advances – variable interest rate	50,127	3.63%	21,221	4.04%
Lease liabilities	5	10.00%	28	10.00%
	<u>79,838</u>		<u>55,077</u>	

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 01 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the reporting period.

This note sets out the details of **material variations** between Council's original budget and its actual results for the period as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

1/7/15 to 12/5/16					
\$ '000	Budget	Actual	----- Variance* -----		
REVENUES					
Rates and annual charges	38,496	39,120	624	2%	F
User charges and fees	13,063	13,812	749	6%	F
Interest and investment revenue	1,034	1,041	7	1%	F
Other revenues	5,368	5,456	88	2%	F
Operating grants and contributions	4,290	5,241	951	22%	F
Variation due to non prorata of grant funding received for the shorter Financial Year end 12 May 2016. Most grants are received in quarterly instalments and at the beginning of each quarter.					
Capital grants and contributions	395	1,466	1,071	271%	F
Favourable variation due to Section 94 funding from a combination of major projects and unbudgeted additional developments received. Council has no control over the timing of major developments and the related forecast of future receipts of the Section 94 funding.					
Joint ventures and associates - net profits	—	506	506	0%	F
Council only budgets for dividends from Associates and not for the net share of profits of those Associates.					

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 16. Material budget variations (continued)

1/7/15 to 12/5/16					
\$ '000	Budget	Actual	----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	26,323	24,879	1,444	5%	F
Borrowing costs	2,109	1,216	893	42%	F
Variation due to capitalisation of interest and also borrowings actually taken up in last month of financial year but the budgetted drawdown was factored in as mid year.					
Materials and contracts	11,725	15,741	(4,016)	(34%)	U
Variation due to several factors, an increase in legal services and fees +423K, increase in consultants,contractors and agency staff +1349, increase in tipping charges and general cleanup cots +686k, increase in asset maintenance and running costs +1395, increase in debt recovery costs +110K and various small items +53K.					
Depreciation and amortisation	7,399	8,515	(1,116)	(15%)	U
The variation is principally due to the write off of the unamortised balance of intangible assets on proclamation.					
Other expenses	5,149	4,878	271	5%	F
Net losses from disposal of assets	—	432	(432)	0%	U
Variation due to write off of prior year's work in progress re Manly Oval Car Park due to project being recinded by the Administrator.					

#### Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>17,402</b>	<b>14,090</b>	<b>(3,312)</b>	<b>(19.0%)</b>	<b>U</b>
Variation due to budgeted 12months of Rates revenue but due to Amalgamations on 12 May 2016 Actuals only reflect the first 3 instalments collected thereby falling short by the final instalment.					
<b>Cash flows from investing activities</b>	<b>(30,913)</b>	<b>(45,659)</b>	<b>(14,746)</b>	<b>47.7%</b>	<b>U</b>
Variation due to separate factors, firstly net reduction in capital expenditure compared to budget of -9.5mil due to net off of not proceeding with Car park -17mil plus additional costs incurred in major project construction of Aquatic Centre and the associated L M Graham Reserve plan of management works +6.5million plus additional road and footpath works +1mil. The other factor was a net increase in financial investments made due to extra loan funding made available on drawdown of loans for the Manly oval car park works which did not proceed +25mil.					
<b>Cash flows from financing activities</b>	<b>18,834</b>	<b>26,753</b>	<b>7,919</b>	<b>42.0%</b>	<b>F</b>
Variation due to mainly timing difference in the drawing down of loan funding for major projects. Part of loan funding due to have been drawn down the prior year (budgetted in 14/15) actually took place in the current 15/16 year.					

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

### Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	382	41	–	10	–	–	433	–
Parking	1,469	205	–	42	–	–	1,716	–
Open space acquisition and embellishments	1,411	306	–	18	(1,113)	–	622	–
Community facilities	(194)	67	–	(2)	(1,282)	–	(1,411)	–
Streetscape/transport	2,149	240	–	46	(590)	–	1,845	–
Environmental programs (incl. drainage)	2,572	317	–	19	(2,133)	–	775	–
Library and recreation	(349)	–	–	–	–	–	(349)	–
<b>S94 contributions – under a plan</b>	<b>7,440</b>	<b>1,176</b>	<b>–</b>	<b>133</b>	<b>(5,118)</b>	<b>–</b>	<b>3,631</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>7,440</b>	<b>1,176</b>	<b>–</b>	<b>133</b>	<b>(5,118)</b>	<b>–</b>	<b>3,631</b>	<b>–</b>
S94 not under plans	14	–	–	–	–	–	14	–
<b>Total contributions</b>	<b>7,454</b>	<b>1,176</b>	<b>–</b>	<b>133</b>	<b>(5,118)</b>	<b>–</b>	<b>3,645</b>	<b>–</b>

## The former Manly Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Residential (2005 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	330	30	–	9	–	–	369	–
Parking	1,361	205	–	39	–	–	1,605	–
Open space aquisition and embellishments	852	306	–	1	(1,113)	–	46	–
Community facilities	(172)	53	–	–	(1,122)	–	(1,241)	–
Streetscape/transport	1,188	133	–	33	–	–	1,354	–
Environmental programs (incl. drainage)	1,351	199	–	1	(1,500)	–	51	–
<b>Total</b>	<b>4,910</b>	<b>926</b>	<b>–</b>	<b>83</b>	<b>(3,735)</b>	<b>–</b>	<b>2,184</b>	<b>–</b>

## CONTRIBUTION PLAN - Manly Precinct Retail/Commercial (2005 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	47	11	–	1	–	–	59	–
Community facilities	52	12	–	(2)	(160)	–	(98)	–
Streetscape/transport	302	70	–	(5)	(590)	–	(223)	–
Environmental programs (incl. drainage)	283	66	–	9	–	–	358	–
<b>Total</b>	<b>684</b>	<b>159</b>	<b>–</b>	<b>3</b>	<b>(750)</b>	<b>–</b>	<b>96</b>	<b>–</b>

## The former Manly Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Other Precincts (2005 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	5	–	–	–	–	–	5	–
Community facilities	(74)	2	–	–	–	–	(72)	–
Streetscape/transport	659	37	–	18	–	–	714	–
Environmental programs (incl. drainage)	914	52	–	8	(633)	–	341	–
<b>Total</b>	<b>1,504</b>	<b>91</b>	<b>–</b>	<b>26</b>	<b>(633)</b>	<b>–</b>	<b>988</b>	<b>–</b>

## CONTRIBUTION PLAN - Manly Precinct (1999 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space aquisition and embellishments	236	–	–	6	–	–	242	–
Library and recreation	18	–	–	–	–	–	18	–
<b>Total</b>	<b>254</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>260</b>	<b>–</b>

## CONTRIBUTION PLAN - Other Precinct (1999 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space aquisition and embellishments	295	–	–	10	–	–	305	–
Library and recreation	(367)	–	–	–	–	–	(367)	–
<b>Total</b>	<b>(72)</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>(62)</b>	<b>–</b>

## The former Manly Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Parking (1999 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	108	–	–	3	–	–	111	–
<b>Total</b>	<b>108</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>111</b>	<b>–</b>

## CONTRIBUTION PLAN - Tourist Developments Retail/Commercial (2005 plan)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space aquisition and embellishments	28	–	–	1	–	–	29	–
Environmental programs (incl. drainage)	24	–	–	1	–	–	25	–
<b>Total</b>	<b>52</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>54</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 94 not under plans	14	–	–	–	–	–	14	–
<b>Total</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>–</b>

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme-Pool B is a defined benefit plan that has been deemed a "multi-employer fund" for the purpose of AASB119. Sufficient information under AASB119 is not available to account for the scheme as a defined plan, because the assets of the scheme are pooled together for all employers.

The amount of employee contribution recognised as an expense for the year ending 30 June 2016 was \$422,287. The scheme is monitored annually and the Actuary has estimated that as at 30 June 2016 the employers share of this deficit was \$465,183.

##### (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 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

###### (i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

###### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

###### (iii) 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, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

##### ASSETS NOT RECOGNISED:

###### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

###### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at end of period, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

##### Controlled entities (subsidiaries)

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### Joint ventures and associates

**Note 19(b)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### Joint operations

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### Unconsolidated structured entities

**Note 19(d)**

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, joint arrangements and associates not recognised

**Note 19(e)**

##### Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	(18)	(4)	20	39
Associates	524	426	2,452	2,098
<b>Total</b>	<b>506</b>	<b>422</b>	<b>2,472</b>	<b>2,137</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	12/5/16	30/6/15
Kimbriki Environmental Enterprises P/L	Associate	2,452	2,098
Shorelink Library Network	Joint venture	20	39
<b>Total carrying amounts – material joint ventures and associates</b>		<b>2,472</b>	<b>2,137</b>

##### (b) Details

Name of entity	Principal activity
Kimbriki Environmental Enterprises P/L	Recycling and waste disposal
Shorelink Library Network	Sharing of library infrastructure

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	12/5/16	30/6/15	2016	2015	2016	2015	2016	2015
Kimbriki Environmental Enterprises P/L	"n/a"	"n/a"	11%	11%	11%	11%	11%	11%
Shorelink Library Network	"n/a"	"n/a"	14%	14%	17%	17%	20%	20%

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

#### (b) Joint ventures and associates (continued)

#### (d) Summarised financial information for joint ventures and associates

	Kimbriki Environmental Enterprises P/L		Shorelink Library Network	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,560	4,403	191	296
Other current assets	19,928	17,730	–	–
<b>Total current assets</b>	<b>22,488</b>	<b>22,133</b>	<b>191</b>	<b>296</b>
<b>Non-current assets</b>	<b>11,625</b>	<b>7,265</b>	<b>5</b>	<b>15</b>
<b>Current liabilities</b>				
Financial liabilities (excl. accounts payable)	687	671	76	82
Other current liabilities	6,477	4,636	–	–
<b>Total current liabilities</b>	<b>7,164</b>	<b>5,307</b>	<b>76</b>	<b>82</b>
<b>Non-current liabilities</b>	<b>4,037</b>	<b>4,480</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>22,912</b>	<b>19,611</b>	<b>120</b>	<b>229</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	19,611	16,432	229	251
Profit/(loss) for the period	4,894	3,983	(78)	(22)
Dividends paid	(1,593)	(804)	–	–
Other adjustments to equity	–	–	(31)	–
<b>Closing net assets</b>	<b>22,912</b>	<b>19,611</b>	<b>120</b>	<b>229</b>
<b>Council's share of net assets (%)</b>	<b>10.7%</b>	<b>10.7%</b>	<b>17.0%</b>	<b>17.0%</b>
<b>Council's share of net assets (\$)</b>	<b>2,452</b>	<b>2,098</b>	<b>20</b>	<b>39</b>
<b>Statement of comprehensive income</b>				
Income	32,224	31,582	532	600
Interest income	343	408	4	8
Depreciation and amortisation	(440)	(458)	(8)	(17)
Other expenses	(27,233)	(27,549)	(606)	(613)
<b>Profit/(loss) for period</b>	<b>4,894</b>	<b>3,983</b>	<b>(78)</b>	<b>(22)</b>
<b>Total comprehensive income</b>	<b>4,894</b>	<b>3,983</b>	<b>(78)</b>	<b>(22)</b>
<b>Share of income – Council (%)</b>	<b>10.7%</b>	<b>10.7%</b>	<b>17.0%</b>	<b>17.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>524</b>	<b>426</b>	<b>(13)</b>	<b>(4)</b>
<b>Profit/(loss) – due to change Interest in outputs</b>			<b>(5)</b>	
<b>Total comprehensive income – Council (\$)</b>	<b>524</b>	<b>426</b>	<b>(18)</b>	<b>(4)</b>
<b>Dividends received by Council</b>	<b>171</b>	<b>86</b>	<b>–</b>	<b>–</b>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

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\$ '000

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##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

##### (e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of period (from previous year's audited accounts)		316,517	506,869
a. Correction of prior period errors	20 (c)	–	(72,161)
b. Changes in accounting policies (prior period effects)	20 (d)	–	(124,402)
c. Other comprehensive income (excl. direct to reserves transactions)		(171)	–
d. Net operating result for the period		10,981	6,211
<b>Balance at end of the reporting period</b>		<b>327,327</b>	<b>316,517</b>

#### (b) Revaluation reserves

##### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	328,347	328,347
<b>Total</b>	<b>328,347</b>	<b>328,347</b>

##### (ii) Reconciliation of movements in reserves:

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

– Opening balance	328,347	180,674
– Revaluations for the period	9(a) –	75,512
– Correction of prior period errors	20(c) –	72,161
<b>– Balance at end of period</b>	<b>328,347</b>	<b>328,347</b>

###### TOTAL VALUE OF RESERVES

<b>328,347</b>	<b>328,347</b>
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##### (iii) Nature and purpose of reserves

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

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

#### (c) Correction of error/s relating to a previous reporting period

##### Correction of errors disclosed in this period's financial statements:

Correction of revaluation decrements of community land incorrectly posted to assets revaluation reserves

This adjustment resulted in:

a decrease in Council's retained earnings as at 30 June 2014	(72,161)
an increase in Council's revaluation reserves as at 30 June 2014	72,161

**In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.**

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(d) Voluntary changes in accounting policies</b>			
Changes in community land valuation methodology from a market value approach to the use of values provided by the Valuer General per the Local Government Code of Accounting Practice and Financial Reporting.		–	(124,402)
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		–	(124,402)
<b>Total prior period adjustments – accounting policy changes</b>		–	<b>(124,402)</b>

#### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

#### Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 23. Events occurring after the reporting date

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\$ '000

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Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 23/11/16.

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

##### **(i) Events that provide evidence of conditions that existed at the reporting period**

The Northern Beaches Council at its Ordinary Council Meeting held 23 August 2016 carried out Resolution 074/16 B that Council "Terminate the Development Deeds:

i) with Abergeldie Contractors Pty Ltd for the Manly Oval Carpark (dated 26 April 2016 for the Manly Oval Carpark); and ii) with Built Development (Manly) Pty Ltd and Athas Holdings Pty Ltd (dated 27 April 2016 for the Whistler Street Redevelopment)".

As a consequence the related \$30million loan has been classified in the accounts as a "Current Liability" (Note10) to be paid off by 5th November 2016. The Work in Progress carried over from the prior year was fully written off. The Work in Progress amounted to \$574,420, see Notes 9 and 5. There may be other costs associated with the termination of the Development Deeds, however it is not possible to identify any further costs at this point in time other than the write off of Work in Progress.

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

**Council is aware of the following 'non-adjusting events' that merit disclosure:**

##### **Amalgamation of operations for the former Manly Council to form Northern Beaches Council**

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Manly Council would be amalgamated with other Council/s to form the new council Northern Beaches Council. The proclamation automatically transferred the assets, rights and liabilities of the former Manly Council to Northern Beaches Council on 13 May 2016. The proclamation ensures that any reference in any document to the former Manly Council is to be read as a reference to Northern Beaches Council, and that anything done by the former Manly Council before the amalgamation is taken to have been done by Northern Beaches Council. These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts). This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Manly Council and its financial performance for the period 1 July 2015 to 12 May 2016.

## The former Manly Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
Intangible assets represent identifiable non-monetary assets without physical substance.			
Intangible assets are as follows:			
<b>Opening values:</b>			
Gross book value (1/7)		1,093	1,093
Accumulated amortisation (1/7)		(263)	(220)
<b>Net book value – opening balance</b>		<b>830</b>	<b>873</b>
<b>Movements for the period</b>			
– Amortisation charges		(38)	(43)
– Write off of unamortised balance at proclamation date		(792)	–
<b>Closing values:</b>			
Gross book value (12/5/16)		1,093	1,093
Accumulated amortisation (12/5/16)		(1,093)	(263)
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE<sup>1</sup></u></b>		<b><u>–</u></b>	<b><u>830</u></b>

<sup>1</sup>. The net book value of intangible assets represent:

– Kimbriki access rights	–	830
	<b>–</b>	<b>830</b>

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement

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

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

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

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

#### Fair value hierarchy

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

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

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

1/7/15 to 12/5/16	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
- At fair value through profit or loss	6	-	-	-
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	9	-	4,079	4,079
Office equipment	9	-	2,068	2,068
Furniture and fittings	9	-	2,599	2,599
Plant and equipment – leased	9	-	31	31
Operational land	9	-	80,713	80,713
Community land	9	-	119,092	119,092
Land improvements – non-depreciable	9	-	13,653	13,653
Land Improvements – depreciable	9	-	23,236	23,236
Buildings – non-specialised	9	-	31,553	31,553
Buildings – specialised	9	-	62,181	62,181
Other structures	9	-	29,327	29,327
Roads	9	-	199,221	199,221
Bridges	9	-	1,007	1,007
Footpaths	9	-	49,642	49,642

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

1/7/15 to 12/5/16	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
<b>Infrastructure, property, plant and equipment (continued)</b>				
Drainage infrastructure	9	-	33,591	33,591
Swimming pools	9	-	13,778	13,778
Other open space/recreational assets	9	-	2,987	2,987
Library books	9	-	1,445	1,445
Heritage collections	9	-	4,478	4,478
<b>Total</b>		-	674,904	674,904

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

1/7/14 to 30/6/15	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments	6	-	494	494
- At fair value through profit or loss				
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	9	-	4,464	4,464
Office equipment	9	-	2,477	2,477
Furniture and fittings	9	-	2,718	2,718
Plant and equipment – leased	9	-	46	46
Operational land	9	-	76,488	76,488
Community land	9	-	247,429	247,429
Land improvements – non-depreciable	9	-	13,643	13,643
Land Improvements – depreciable	9	-	22,991	22,991
Buildings – non-specialised	9	-	31,533	31,533
Buildings – specialised	9	-	43,323	43,323
Other structures	9	-	29,363	29,363
Roads	9	-	199,022	199,022
Bridges	9	-	950	950
Footpaths	9	-	47,638	47,638
Drainage infrastructure	9	-	31,772	31,772
Swimming pools	9	-	4,969	4,969
Other open space/recreational assets	9	-	2,849	2,849
Library books	9	-	1,457	1,457
Heritage collections	9	-	4,477	4,477
<b>Total</b>		-	768,103	768,103

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

##### Valuation Techniques

##### Level 3 Measurements

##### Financial Assets

Investments - At fair value through profit or loss are represented by Emu Note (Dresdner Bank). Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. At this stage, opportunistic bids for this tranche would be expected in the mid-90c in the dollar area. There has been no change to the valuation process during the reporting period.

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

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

Plant and Equipment	Trucks, tractors, jet skis, ride-on mowers, street sweepers, earthmoving equipment, buses, motor vehicles and waste bins.
Office Equipment	Computer equipment, IT software, TVs, cameras, photocopiers and printers.
Furniture & Fittings	Chairs, desks, display units and street furniture.

##### Plant & Equipment Leased (Liability)

Plant & Equipment Leased is valued at cost but is disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The assets within this class are all printers and/or photocopiers.

The key unobservable input to the valuation is the interest rates. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets as well as the remaining term of the lease, present value of the minimum lease payment and interest rates. There has been no change to the valuation process during the reporting period.

##### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

##### **Community Land**

Valuations of all Council's Community Land and Council managed land were based on either the Unimproved Capital Value (UCV) provided by the Valuer-General or an average unit rate based on the UCV for similar properties where the Valuer-General did not provide a UCV having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

##### **Land Under Roads**

Council has elected to not recognise Land Under Roads where the road was acquired on or prior 1 July 2008.

##### **Land Improvement – Non Depreciable**

This asset class comprises Council owned Trees such as the Norfolk Pines located along the East and West Esplanades and the beachfront, and various other species of trees planted along the street scapes. These assets may be also be located on parks, reserves and also within road reserves. Land Improvements – Non depreciable were valued in-house using the cost approach by experienced Council engineers, and parks and reserve asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While the unit rates based on the replacement of the established trees or similar maturity could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of growth, heritage value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### **Land Improvements - Depreciable**

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. Land Improvements were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### **Buildings - Non specialised and Specialised**

Buildings were valued by Asset Management in 2008 and 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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##### Other Structures

This asset class comprises car spaces (where Council does not control the car park building), seawalls, ramps, jetties, radio tower and skate park structures.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Roads

This asset class comprises the Road Carriageway, Carpark spaces, Kerb and Gutter, Fence & Bollards, Traffic Control Facilities, Line Markers and Road Signs and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were carried out by Council Engineers using current market rates for various elements in June 2015.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there was some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Bridges

Bridges were valued by Council engineers using the cost approach in June 2015. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails.

While all bridges were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

##### Footpaths

Footpaths were valued by Council engineers using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

##### Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Works Engineers Australia's International Infrastructure Management Manual (IIMM). While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. Drainage infrastructure assets were revalued by Council engineers using the cost approach in June 2015.

##### Swimming Pools

Assets within this class comprise Council's swim centre and harbour netted and rock pools. The swimming centre and harbour pools were valued by Council engineers and facility manager using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

##### Other Open Space/Recreational Assets

Assets within this class comprise regional Sporting Facilities and Playgrounds. These assets were valued by in-house engineers, assets management staff and construction managers who adopted a cost approach.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

##### Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

##### Heritage Collections

Manly Council holds various art works both in the Manly Art Gallery and open space art works such as statutes, sculptures and memorial artefacts. These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value and not depreciated due to the nature of the items.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

##### Reconciliation of Movements

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

	2016 \$'000
<b>Balance as at 1 July 2015</b>	768,103
<b>Total gains or losses for the year</b>	
Recognised in profit or loss - realised	6
Recognised in other comprehensive income – Revaluation Decrement	-124,402
<b>Other movements</b>	
Purchases	39,584
Sales (Note 5)	-923
Depreciation	-7,686
<b>Balance as at 12 May 2016</b>	674,904

	2015 \$'000
<b>Balance as at 1 July 2014</b>	694,248
<b>Total gains or losses for the year</b>	
Recognised in profit or loss - realised	795
Recognised in profit or loss – unrealised (Note 6b)	14
Recognised in other comprehensive income – Revaluation Surplus	75,512
<b>Other movements</b>	
Purchases	11,361
Sales (Note 5)	-5,269
Depreciation	-8,558
<b>Balance as at 30 June 2015</b>	768,103

There are no transfers identified in the table above.

##### Unobservable inputs and sensitivities

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

##### Financial assets

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Investments – At fair value through profit or loss	0	Advisor Report	Unit price

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

##### I,PP&E

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment, office equipment and furniture and fittings	8,746	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>5 to 20 years</li> <li>0%</li> </ul>
Plant and equipment leased	31	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>8% to 12%</li> </ul>
Operational land	80,713	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$2000 - \$10,000 (per square Metre)</li> </ul>
Community land	119,092	<ul style="list-style-type: none"> <li>Unimproved Capital Value provided by Valuer General or an average unit rate based on the UCV for similar properties (price per square metre)</li> </ul>	<ul style="list-style-type: none"> <li>\$90 - \$100 (per square metre)</li> </ul>
Land improvements – non depreciable	13,653	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> </ul>
Land improvements – depreciable	23,236	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>Very poor to excellent</li> <li>25 - 100 years</li> <li>0%</li> </ul>
Buildings	93,734	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>Very poor to excellent</li> <li>2 - 100 years</li> <li>0%</li> </ul>
Other structures	29,327	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>Very poor to excellent</li> <li>2 - 100 years</li> <li>0%</li> </ul>
Roads	199,221	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies from asset to asset</li> <li>Poor to excellent</li> <li>2 - 100 years</li> <li>0%</li> </ul>

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Bridges	1,007	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 100 years</li> <li>• 0%</li> </ul>
Footpaths	49,642	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 0 - 100 years</li> <li>• 0%</li> </ul>
Drainage infrastructure	33,591	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 0 - 120 years</li> <li>• 0%</li> </ul>
Swimming pools	13,778	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 10 - 100 years</li> <li>• 0%</li> </ul>
Other open space/recreational assets	2,987	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 5 - 100 years</li> <li>• 0%</li> </ul>
Library books	1,445	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> <li>• Poor to excellent</li> <li>• 5 – 15 years</li> <li>• 0%</li> </ul>
Heritage collections	4,478	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Varies from asset to asset</li> </ul>

#### The valuation process for level 3 fair value measurements

The valuation process is carried out in a pragmatic and structured manner referencing the published data provided by Rawlinson's and Cordell as a starting point. Current and recently completed construction projects are also referenced to achieve actual current costing data which is compared with any published data to achieve a fair and reasonable valuation for the assets that present themselves in a condition 3 which is satisfactory but requires maintenance to be carried out.

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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Professionally trained in house staff are called upon to carry out the valuation process, visual non-destructive testing of the asset is carried out in combination with an assessment of the usage rates and the risk rating that the asset has to the community users. All of which is used to formulate a level of asset maintenance and the cost required to ensure the asset is presented in a fit for purpose manner.

Assets are inspected on a regular basis to ensure their serviceability, functionality and safety by suitably qualified in house persons and from time to time as required specialist consultant firms are engaged to provide detailed assessments – such as geo technical advice in sites where building foundations are being adversely impacted upon.

#### Highest and best use

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

## The former Manly Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

1 Belgrave Street  
Manly NSW 2095

**Contact details****Mailing address:**

PO Box 82  
Manly NSW 1655

**Opening hours:**

Monday to Friday  
8:30am to 5:00pm

**Telephone:** 02 9976 1500

**Facsimile:** 02 9976 1400

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

**Email:** [records@manly.nsw.gov.au](mailto:records@manly.nsw.gov.au)

**Officers****GENERAL MANAGER**

Mark Ferguson

**Members****ADMINISTRATOR**

Dick Persson

**RESPONSIBLE ACCOUNTING OFFICER**

David Walsh

**Other information**

**ABN:** 43 662 868 065



**NORTHERN BEACHES COUNCIL**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of the former Manly Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by the Council and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at period end or from time to time during the period.

***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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**Assurance Partners**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**HILL ROGERS**



**GARY MOTTAU**  
Partner

Dated at Sydney this 23rd day of November 2016



23 November 2016

The Administrator  
Northern Beaches Council  
PO Box 8  
MANLY NSW 1655

Administrator,

## Audit Report - Period Ended 12 May 2016

We are pleased to advise completion of the audit of the former Manly Council's books and records for the period ended 12 May 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting, and Office of Local Government pronouncements up to the date of this report.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

### 1. RESULTS FOR THE PERIOD

#### 1.1 *Operating Result*

The operating result for the period was a surplus of \$10.981 million as compared with \$6.211 million in the previous year.

The following table sets out the results for the period and the extent (%) that each category of revenue and expenses contributed to the total.

### Assurance Partners

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
<b>Revenues before capital items</b>					
Rates & annual charges	39,120	60%	38,792	58%	328
User charges, fees & other revenues	19,774	30%	20,694	31%	(920)
Grants & contributions provided for operating purposes	5,241	8%	5,260	8%	(19)
Interest & investment revenue	1,041	2%	1,581	2%	(540)
	<b>65,176</b>	<b>100%</b>	<b>66,327</b>	<b>100%</b>	<b>(1,151)</b>
<b>Expenses</b>					
Employee benefits & costs	24,879	45%	28,924	47%	(4,045)
Materials, contracts & other expenses	21,051	38%	23,233	38%	(2,182)
Depreciation, amortisation & impairment	8,515	15%	8,601	14%	(86)
Borrowing costs	1,216	2%	894	1%	322
	<b>55,661</b>	<b>100%</b>	<b>61,652</b>	<b>100%</b>	<b>(5,991)</b>
<b>Surplus (Deficit) before capital items</b>	<b>9,515</b>		<b>4,675</b>		<b>4,840</b>
Grants & contributions provided for capital purposes	1,466		1,536		(70)
<b>Net Surplus (Deficit) for the period</b>	<b>10,981</b>		<b>6,211</b>		<b>4,770</b>
<b>Performance Measures</b>	<b>2016</b>		<b>2015</b>		
Operating Performance	14.59%		5.29%		
Own Source Operating Revenue	89.86%		89.80%		

The above table shows an overall increase of \$4.770 million from the previous year and is primarily due to recognising expenses for a 45 week period compared with an annual comparative period.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 14.59% and exceeded the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 89.86% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the period which is illustrated in the table below.

## **Funds were provided by:-**

### **Operating Result (as above)**

Add back non funding items:-

- Depreciation, amortisation & impairment
- Book value of non-current assets sold
- Non-cash contributions of assets acquired
- (Surplus)/Deficit in joint ventures

New loan borrowings

Transfers from externally restricted assets (net)

Distributions from joint ventures

Net Changes in current/non-current assets & liabilities

## **Funds were applied to:-**

Purchase and construction of assets

Principal repaid on loans

Finance lease instalments

Transfers to externally restricted assets (net)

Transfers to internal reserves (net)

**Increase/(Decrease) in Available Working Capital**

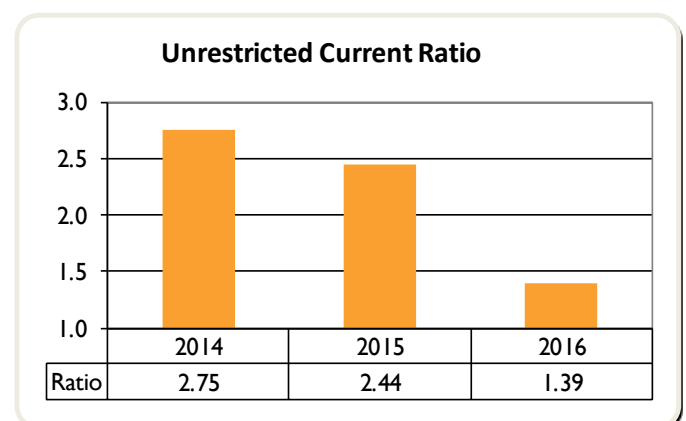
	2016	2015
	\$'000	\$'000
<b>Operating Result (as above)</b>	<b>10,981</b>	<b>6,211</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,515	8,601
- Book value of non-current assets sold	1,002	4,474
- Non-cash contributions of assets acquired	290	0
- (Surplus)/Deficit in joint ventures	(506)	(422)
	20,282	18,864
New loan borrowings	30,000	12,000
Transfers from externally restricted assets (net)	4,321	0
Distributions from joint ventures	171	86
Net Changes in current/non-current assets & liabilities	1,237	505
	56,011	31,455
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(29,429)	(20,091)
Principal repaid on loans	(3,224)	(3,340)
Finance lease instalments	(23)	(23)
Transfers to externally restricted assets (net)	0	(1,314)
Transfers to internal reserves (net)	(13,932)	(6,776)
	(46,608)	(31,544)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>9,403</b>	<b>(89)</b>

## **2. FINANCIAL POSITION**

### **2.1 Unrestricted Current Ratio**

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$17.199 million representing a factor of 1.39 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the period the Available Working Capital of Council stood at \$10.349 million as detailed below;

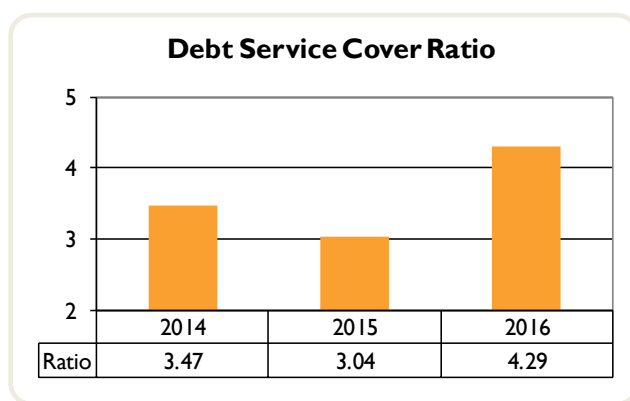
	2016	2015	Change
	\$'000	\$'000	\$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>10,254</b>	<b>22,926</b>	<b>(12,672)</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	12,008	10,700	1,308
Adjusted Net Current Assets	22,262	33,626	(11,364)
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	34,093	3,639	30,454
- Employees leave entitlements	2,646	2,793	(147)
- Deposits & retention moneys	735	664	71
<b>Less:</b> Externally restricted assets	(5,063)	(9,384)	4,321
<b>Less:</b> Internally restricted assets	(44,324)	(30,392)	(13,932)
<b>Available Working Capital as at 12 May</b>	<b>10,349</b>	<b>946</b>	<b>9,403</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

## 2.3 Debt

After repaying principal and interest of \$4.463 million and taking up new borrowings of \$30 million, total debt as at 12 May 2016 stood at \$65.962 million (30 June 2015 - \$39.209 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 4.29 to 1.



## 2.4 Summary

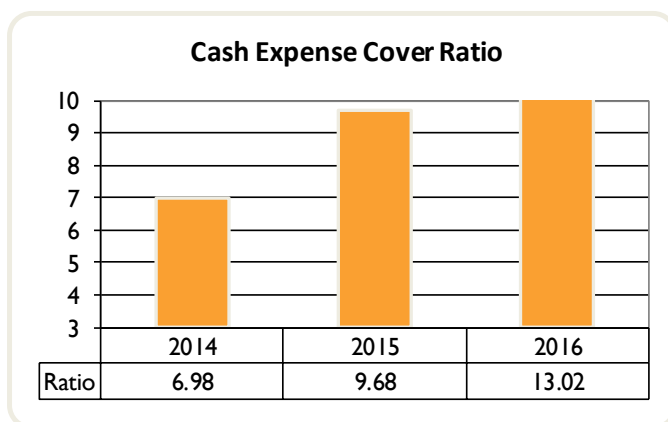
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

## 3. CASH ASSETS

### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

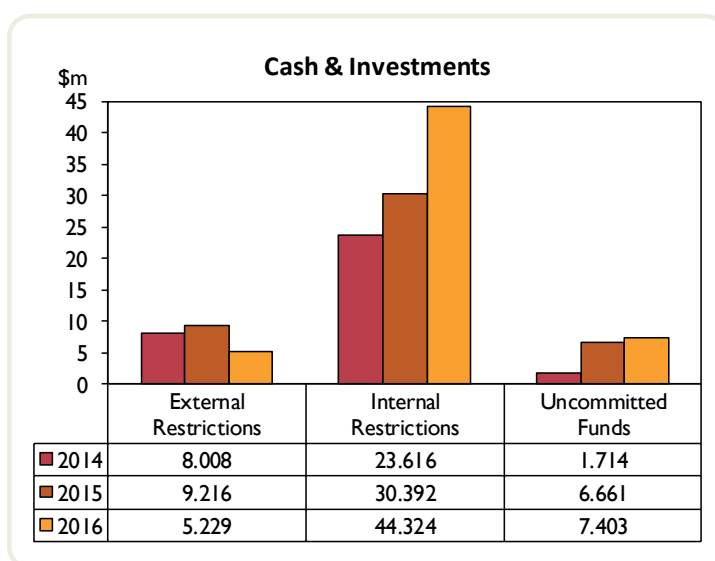
For 2016, this ratio stood at 13.02 months compared to the benchmark of 3.



### 3.2 Cash & Investment Securities

Cash and investments amounted \$56.956 million at 12 May 2016 as compared with \$46.269 million at 30 June 2015 and \$33.338 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$3.645 million), specific purpose grants and contributions (\$864,000) and Art gallery funds (\$720,000).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's **"Reserves"**. These Reserves totalled \$44.324 million and their purposes are more fully disclosed in Note 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$7.403 million, which is available to provide liquidity for day to day operations.

## 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the period and reveals that cash decreased by \$4.816 million to \$19.001 million at 12 May 2016.

In addition to operating activities which contributed net cash of \$14.090 million were the proceeds from the sale of investment securities (\$2.494 million), proceeds from borrowings (\$30 million), distributions from associated entities (\$171,000) and sale of assets (\$570,000). Cash outflows other than operating activities were used to purchase investment securities (\$17.991 million), repay loans (\$3.224 million), pay finance lease instalments (\$23,000) and to purchase and construct assets (\$30.903 million).

## 4. RECEIVABLES

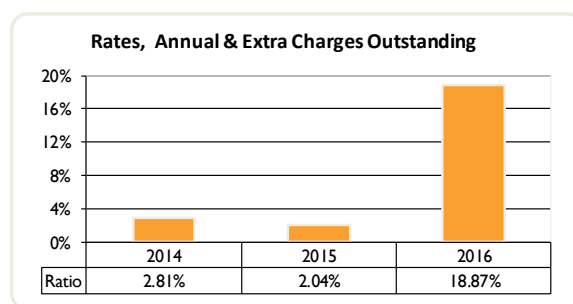
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the period totalled \$39.120 million and represented 59% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$39.777 million of which \$32.267 million (81%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$7.578 million at 12 May 2016 and represented 18.87% of those receivables. This indicator has been adversely impacted Council's amalgamation such that the final rates instalment issued for the period was not due until after balance date.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$2.692 million and mostly consisted user charges and fees (\$1.313 million) and amounts due from government departments (\$980,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$60,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$8.247 million. Internally restricted cash and investments of \$1.649 million was held representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

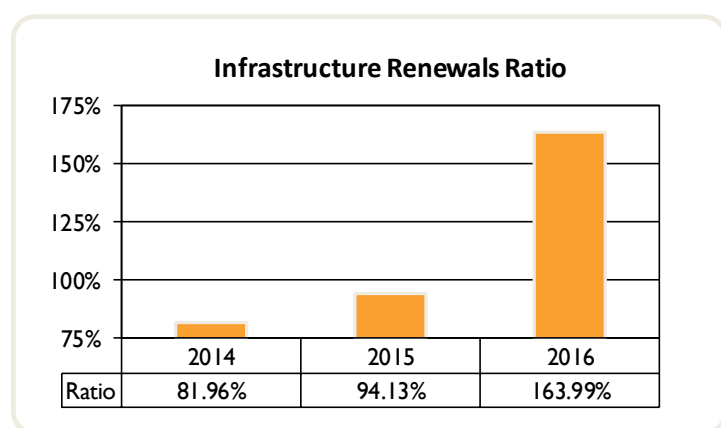
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at period end amounted to \$7.345 million and were 34% funded by internally restricted cash and investments.

## 6. INFRASTRUCTURE RENEWALS

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 164% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 31 March 2016. This included our suggestions on possible ways to strengthen and/or improve procedures. Management has responded by letter with comments and proposed actions.

## 8. CONCLUSION

We wish to record our appreciation to the interim General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,  
**HILL ROGERS**

**GARY MOTTAU**  
Partner

# The former Manly Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*"Manly - where the natural environment and heritage sustain and  
complement a vibrant cosmopolitan and community lifestyle"*



## The former Manly Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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<b>2. Special Purpose Financial Statements:</b>	
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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## The former Manly Council

### Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period, 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 Northern Beaches Council made on 22 November 2016.**



Dick Persson  
Administrator



Mark Ferguson  
General Manager



David Walsh  
Responsible Accounting Officer

## The former Manly Council

### Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Domestic waste management		Parking stations	
	Category 1		Category 1	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000				
<b>Income from continuing operations</b>				
Access charges	10,146	11,030	–	–
User charges	55	50	6,473	6,306
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	197	240	–	–
Profit from the sale of assets	–	–	–	–
Other income	19	12	1	48
<b>Total income from continuing operations</b>	<b>10,417</b>	<b>11,332</b>	<b>6,474</b>	<b>6,354</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	2,214	2,294	294	160
Borrowing costs	–	–	–	–
Materials and contracts	4,083	5,256	650	981
Depreciation and impairment	473	560	87	98
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	2,567	2,949	319	351
<b>Total expenses from continuing operations</b>	<b>9,337</b>	<b>11,059</b>	<b>1,350</b>	<b>1,590</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,080</b>	<b>273</b>	<b>5,124</b>	<b>4,764</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,080</b>	<b>273</b>	<b>5,124</b>	<b>4,764</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,080</b>	<b>273</b>	<b>5,124</b>	<b>4,764</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(324)	(82)	(1,537)	(1,429)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>756</b>	<b>191</b>	<b>3,587</b>	<b>3,335</b>
Plus opening retained profits	553	520	289	357
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	324	82	1,537	1,429
Add:				
– Subsidy paid/contribution to operations	(1,017)	(240)	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	(5,121)	(4,832)
<b>Closing retained profits</b>	<b>616</b>	<b>553</b>	<b>292</b>	<b>289</b>
Return on capital %	75.8%	21.0%	1933.6%	1707.5%
Subsidy from Council	–	–	–	–

## The former Manly Council

### Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Childrens services		Swim centre	
	Category 1		Category 2	
	Actual	Actual	Actual	Actual
	1/7/15	1/7/14	1/7/15	1/7/14
\$ '000	to 12/5/16	to 30/6/15	to 12/5/16	to 30/6/15
<b>Income from continuing operations</b>				
Access charges	—	—	—	—
User charges	2,743	3,250	1,079	1,139
Fees	—	—	—	—
Interest	—	—	—	—
Grants and contributions provided for non-capital purposes	1,143	1,331	—	—
Profit from the sale of assets	—	—	—	—
Other income	35	9	149	126
<b>Total income from continuing operations</b>	<b>3,921</b>	<b>4,590</b>	<b>1,228</b>	<b>1,265</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	2,366	2,681	1,011	1,015
Borrowing costs	—	—	—	—
Materials and contracts	563	482	326	168
Depreciation and impairment	9	9	28	32
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	703	781	433	429
<b>Total expenses from continuing operations</b>	<b>3,641</b>	<b>3,953</b>	<b>1,798</b>	<b>1,644</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>280</b>	<b>637</b>	<b>(570)</b>	<b>(379)</b>
Grants and contributions provided for capital purposes	—	—	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>280</b>	<b>637</b>	<b>(570)</b>	<b>(379)</b>
Surplus (deficit) from discontinued operations	—	—	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>280</b>	<b>637</b>	<b>(570)</b>	<b>(379)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(84)	(191)	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>196</b>	<b>446</b>	<b>(570)</b>	<b>(379)</b>
Plus opening retained profits	(314)	(282)	(50)	(51)
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	—	—
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	84	191	—	—
Add:				
– Subsidy paid/contribution to operations	(236)	(669)	559	380
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
<b>Closing retained profits</b>	<b>(270)</b>	<b>(314)</b>	<b>(61)</b>	<b>(50)</b>
Return on capital %	571.4%	1384.8%	-316.7%	-226.9%
Subsidy from Council	—	—	574	384

## The former Manly Council

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

as at 12 May 2016

	Domestic waste management		Parking stations	
	Category 1		Category 1	
\$ '000	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	2,071	91	37	38
Inventories	–	–	–	–
Other	166	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>2,237</b>	<b>91</b>	<b>37</b>	<b>38</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,425	1,303	265	279
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>1,425</b>	<b>1,303</b>	<b>265</b>	<b>279</b>
<b>TOTAL ASSETS</b>	<b>3,662</b>	<b>1,394</b>	<b>302</b>	<b>317</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	2,281	126	–	–
Borrowings	–	–	–	–
Provisions	759	709	9	24
<b>Total current liabilities</b>	<b>3,040</b>	<b>835</b>	<b>9</b>	<b>24</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	6	6	1	4
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>4</b>
<b>TOTAL LIABILITIES</b>	<b>3,046</b>	<b>841</b>	<b>10</b>	<b>28</b>
<b>NET ASSETS</b>	<b>616</b>	<b>553</b>	<b>292</b>	<b>289</b>
<b>EQUITY</b>				
Retained earnings	616	553	292	289
Revaluation reserves	–	–	–	–
Council equity interest	<b>616</b>	<b>553</b>	<b>292</b>	<b>289</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>616</b>	<b>553</b>	<b>292</b>	<b>289</b>

## The former Manly Council

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

as at 12 May 2016

	Childrens services		Swim centre	
	Category 1		Category 2	
\$ '000	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	49	46	180	167
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>49</b>	<b>46</b>	<b>180</b>	<b>167</b>
<b>TOTAL ASSETS</b>	<b>49</b>	<b>46</b>	<b>180</b>	<b>167</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	284	331	239	216
<b>Total current liabilities</b>	<b>284</b>	<b>331</b>	<b>239</b>	<b>216</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	35	29	2	1
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>35</b>	<b>29</b>	<b>2</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>319</b>	<b>360</b>	<b>241</b>	<b>217</b>
<b>NET ASSETS</b>	<b>(270)</b>	<b>(314)</b>	<b>(61)</b>	<b>(50)</b>
<b>EQUITY</b>				
Retained earnings	(270)	(314)	(61)	(50)
Revaluation reserves	–	–	–	–
Council equity interest	(270)	(314)	(61)	(50)
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>(270)</b>	<b>(314)</b>	<b>(61)</b>	<b>(50)</b>

## The former Manly Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

## The former Manly Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

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

#### Declared business activities

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

##### Category 1

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

##### a. Domestic Waste Management

Comprising the collection of domestic waste from Council's residents.

##### b. Parking Stations

Comprising Whistler Street, Manly National, Manly Pacific and Peninsula Parking Stations in Manly.

##### c. Children's Services

Comprising the four separate services operating out of the following venues: Kangaroo Street Childcare, Ivanhoe Park Pre-School, the Roundhouse Childcare Centre and Harbourview Children's Care Centre.

##### Category 2

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

##### d. Swim Centre

Comprising the operations at Andrew Boy Charlton Manly Swim Centre.

#### Monetary amounts

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

## The former Manly Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the period.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

## The former Manly Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### **(iii) Return on investments (rate of return)**

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 12 May**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

#### **(iv) Dividends**

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



**NORTHERN BEACHES COUNCIL**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying special purpose financial statements of the former Manly Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by the Council and Management.

***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Assurance Partners**

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

***Basis of Accounting***

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

**HILL ROGERS**



**GARY MOTTAU**  
Partner

Dated at Sydney this 23rd day of November 2016

# The former Manly Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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*"Manly - where the natural environment and heritage sustain and complement a vibrant cosmopolitan and community lifestyle"*



## The former Manly Council

### Special Schedules

for the period 1 July 2015 to 12 May 2016

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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
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<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
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<sup>1</sup> Special Schedules are not audited.

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### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
  - the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
  - the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## The former Manly Council

# Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,517</b>	–	–	<b>(2,517)</b>
<b>Administration</b>	<b>1,651</b>	<b>5,093</b>	<b>1,466</b>	<b>4,908</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	920	–	–	<b>(920)</b>
Beach control	1,101	92	–	<b>(1,009)</b>
Enforcement of local government regulations	2,172	2,258	–	<b>86</b>
Animal control	–	28	–	<b>28</b>
Other	141	–	–	<b>(141)</b>
<b>Total public order and safety</b>	<b>4,334</b>	<b>2,378</b>	–	<b>(1,956)</b>
<b>Health</b>	<b>816</b>	<b>215</b>	–	<b>(601)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,380	161	–	<b>(1,219)</b>
Solid waste management	9,657	10,418	–	<b>761</b>
Street cleaning	2,824	–	–	<b>(2,824)</b>
Drainage	1,122	367	–	<b>(755)</b>
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>14,983</b>	<b>10,946</b>	–	<b>(4,037)</b>
<b>Community services and education</b>				
Administration and education	1,977	700	–	<b>(1,277)</b>
Social protection (welfare)	263	235	–	<b>(28)</b>
Aged persons and disabled	591	561	–	<b>(30)</b>
Children's services	2,868	3,223	–	<b>355</b>
<b>Total community services and education</b>	<b>5,699</b>	<b>4,719</b>	–	<b>(980)</b>
<b>Housing and community amenities</b>				
Public cemeteries	63	66	–	<b>3</b>
Public conveniences	1,074	–	–	<b>(1,074)</b>
Street lighting	656	122	–	<b>(534)</b>
Town planning	1,152	1	–	<b>(1,151)</b>
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>2,945</b>	<b>189</b>	–	<b>(2,756)</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

## The former Manly Council

# Special Schedule 1 – Net Cost of Services (continued)

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,649	198	—	(1,451)
Museums	—	—	—	—
Art galleries	959	173	—	(786)
Community centres and halls	355	151	—	(204)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	35	—	—	(35)
Sporting grounds and venues	1,269	90	—	(1,179)
Swimming pools	2,632	1,228	—	(1,404)
Parks and gardens (lakes)	3,610	178	—	(3,432)
Other sport and recreation	959	29	—	(930)
<b>Total recreation and culture</b>	<b>11,468</b>	<b>2,047</b>	<b>—</b>	<b>(9,421)</b>
<b>Fuel and energy</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Agriculture</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Mining, manufacturing and construction</b>				
Building control	2,446	770	—	(1,676)
Other mining, manufacturing and construction	—	—	—	—
<b>Total mining, manufacturing and const.</b>	<b>2,446</b>	<b>770</b>	<b>—</b>	<b>(1,676)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,047	1,129	—	(918)
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	2,476	6,490	—	4,014
Footpaths	2,098	—	—	(2,098)
Other transport and communication	915	644	—	(271)
<b>Total transport and communication</b>	<b>7,536</b>	<b>8,263</b>	<b>—</b>	<b>727</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,266	562	—	(704)
<b>Total economic affairs</b>	<b>1,266</b>	<b>562</b>	<b>—</b>	<b>(704)</b>
<b>Totals – functions</b>	<b>55,661</b>	<b>35,182</b>	<b>1,466</b>	<b>(19,013)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>29,488</b>		<b>29,488</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>—</b>	<b>506</b>		<b>506</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>55,661</b>	<b>65,176</b>	<b>1,466</b>	<b>10,981</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As per the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

## The former Manly Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	3,635	35,546	<b>39,181</b>	30,000	3,224	–	–	1,547	34,088	31,869	<b>65,957</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>3,635</b>	<b>35,546</b>	<b>39,181</b>	<b>30,000</b>	<b>3,224</b>	<b>–</b>	<b>–</b>	<b>1,547</b>	<b>34,088</b>	<b>31,869</b>	<b>65,957</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	4	24	<b>28</b>	–	23	–	–	2	5	–	<b>5</b>
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>4</b>	<b>24</b>	<b>28</b>	<b>–</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>5</b>	<b>–</b>	<b>5</b>
<b>Total debt</b>	<b>3,639</b>	<b>35,570</b>	<b>39,209</b>	<b>30,000</b>	<b>3,247</b>	<b>–</b>	<b>–</b>	<b>1,549</b>	<b>34,093</b>	<b>31,869</b>	<b>65,962</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which is reported in the GPFS).

## The former Manly Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Buildings</b>											
	Council Offices	–	87	119	6,010	9,608	16%	37%	47%		0%
	Art Gallery	–	10	22	1,787	2,671	16%	37%	47%		0%
	Childcare Centres	–	14	19	4,344	5,032	16%	37%	47%		0%
	Community Centres	–	20	19	4,003	4,546	16%	37%	47%		0%
	Emergency Services	–	–	–	1,137	1,276	90%	10%	0%		0%
	Housing	–	5	10	332	535	16%	37%	47%		0%
	Library	–	33	37	7,912	9,711	16%	37%	47%		0%
	Multi Storey Car Park	–	52	58	10,968	16,539	7%	40%	53%		0%
	Preschool & Youth Centres	–	23	37	2,993	4,516	16%	37%	47%		0%
	Public Amenities/Toilets	–	69	99	2,469	3,200	22%	32%	46%		0%
	Recreation/Sporting Grounds	–	24	23	11,135	14,091	16%	37%	47%		0%
	Public Halls	–	–	–	317	386	16%	37%	47%		0%
	Other Buildings	–	13	4	3,145	4,364	16%	37%	47%		0%
	Senior Citizens Centre	–	11	4	1,777	2,173	16%	37%	47%		0%
	Surf Pavillions	–	44	28	12,301	17,390	16%	37%	47%		0%
	Swimming Centre	–	43	100	19,138	19,370	95%	0%	5%		0%
	Works Depot	–	17	42	3,966	4,758	90%	10%	0%		0%
	<b>Sub-total</b>	<b>–</b>	<b>465</b>	<b>621</b>	<b>93,734</b>	<b>120,166</b>	<b>31.4%</b>	<b>30.0%</b>	<b>38.7%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>											
	Car Spaces	–	103	79	25,320	25,344	100%				0%
	Seawall	–	10	15	918	6,759	5%	45%	50%		0%
	Other	–	8	–	3,089	4,895		50%	50%		0%
	<b>Sub-total</b>	<b>–</b>	<b>121</b>	<b>94</b>	<b>29,327</b>	<b>36,998</b>	<b>69.4%</b>	<b>14.8%</b>	<b>15.7%</b>	<b>0.0%</b>	<b>0.0%</b>

## The former Manly Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Roads											
	Bridges	–	–	–	1,008	1,105			100%		0%
	Road Wearing Surface	100	252	232	21,786	28,530	35%	40%	25%		0%
	Road Pavement	–	–	–	79,839	80,950	100%				0%
	Road Formation	–	–	–	46,566	46,566	100%				0%
	Road Linemarking	–	80	50	235	488	10%	40%	50%		0%
	Traffic Control	–	94	159	2,093	2,636	14%	56%	30%		0%
	Footpaths	65	56	62	49,640	63,196	40%	36%	24%		0%
	Kerb & Gutters	–	–	–	42,465	57,197	20%	70%	10%		0%
	Road Fence & Bollards	–	87	99	3,338	4,524	5%	25%	70%		0%
	Road Signs	–	–	–	558	1,760	10%	40%	50%		0%
	Other Road Assets	–	–	–	2,342	2,578	5%	25%	70%		0%
	<b>Sub-total</b>	<b>165</b>	<b>569</b>	<b>602</b>	<b>249,870</b>	<b>289,530</b>	<b>60.5%</b>	<b>27.1%</b>	<b>12.4%</b>	<b>0.0%</b>	<b>0.0%</b>
Stormwater drainage											
	Pipes	–	283	203	22,298	33,515	4%	39%	57%		0%
	Pits	–	40	39	5,328	7,699	4%	39%	57%		0%
	Other Stormwater Assets	–	40	39	5,965	7,392	4%	39%	57%		0%
	<b>Sub-total</b>	<b>–</b>	<b>363</b>	<b>281</b>	<b>33,591</b>	<b>48,606</b>	<b>4.0%</b>	<b>39.0%</b>	<b>57.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets											
	Swimming pools	–	–	–	12,409	13,494	50%	0%	50%		0%
	Playground Equipment	–	43	41	861	2,953	10%	80%	10%		0%
	Sports Fields	–	345	447	2,126	4,382	10%	80%	10%		0%
	Habour Pools	–	130	127	1,369	2,947	40%	40%	20%		0%
	<b>Sub-total</b>	<b>–</b>	<b>518</b>	<b>615</b>	<b>16,765</b>	<b>23,776</b>	<b>36.4%</b>	<b>29.6%</b>	<b>33.9%</b>	<b>0.0%</b>	<b>0.0%</b>

## The former Manly Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
	<b>TOTAL – ALL ASSETS</b>	<b>165</b>	<b>2,036</b>	<b>2,213</b>	<b>423,287</b>	<b>519,076</b>	<b>48.0%</b>	<b>28.1%</b>	<b>23.9%</b>	<b>0.0%</b>	<b>0.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## The former Manly Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods 30/6/15      30/6/14	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals <sup>(1)</sup>	8,075	163.99%	94.13%	81.96%
Depreciation, amortisation and impairment	4,924			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	165	0.04%	0.04%	0.12%
Carrying value of infrastructure assets	423,287			
3. Asset maintenance ratio				
Actual asset maintenance	2,213	1.09	1.09	1.13
Required asset maintenance	2,036			
4. Capital expenditure ratio				
Annual capital expenditure	27,966	3.28	1.82	1.04
Annual depreciation	8,515			

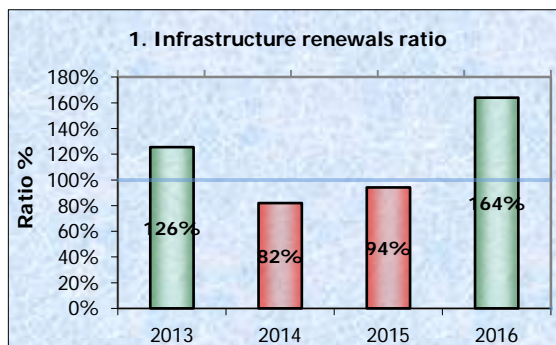
#### Notes

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

<sup>(1)</sup> 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.

## The former Manly Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

#### Purpose of asset renewals ratio

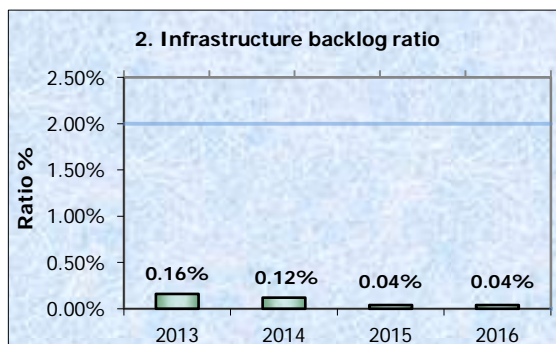
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

#### Commentary on 12/5/16 result

**12/5/16 ratio 163.99%**

The result reflects major renewal capital works in the Manly CBD Public Domains.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

#### Purpose of infrastructure backlog ratio

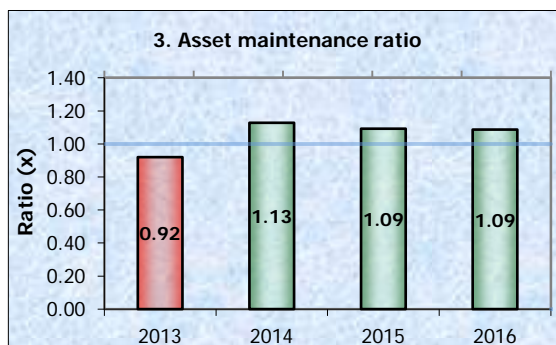
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

#### Commentary on 12/5/16 result

**12/5/16 ratio 0.04%**

Council prioritises spending on assets to avoid assets falling below a satisfactory condition.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $> 1.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

#### Purpose of asset maintenance ratio

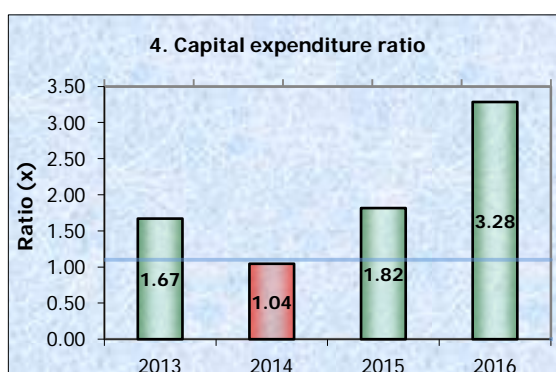
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

#### Commentary on 12/5/16 result

**12/5/16 ratio 1.09 x**

Result is above the bench mark due to Council's commitment to not allowing assets to fall into disrepair which could lead to an asset backlog position.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $> 1.10$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

#### Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

#### Commentary on 12/5/16 result

**12/5/16 ratio 3.28 x**

The result reflects the completion of the new Aquatic Centre and also the completion of stage one of the Manly2015 Public Domains Upgrade works.

Ratio achieves benchmark  
 Ratio is outside benchmark