northern beaches council

31 January 2025

Our Ref: 2025/067388

Declaration by Chief Executive Officer to IPART of Compliance with Additional Special Variation Instrument

On 16 June 2022 IPART issued an instrument under s508(2) of the Local Government Act 1993 to Northern Beaches Council, approving a permanent additional special variation (ASV) for a 2.4% increase in rates 2022/23 (instead of the 0.7% rate peg).

The ASV raised $3,014,468 in additional income above what otherwise would be available under the rate peg ($1,241,251).

The Office of Local Government established the ASV pathway as a one-off process for the 2022/23 financial year as such a low rate peg in a high inflationary environment would result in financial difficulties for NSW councils. The ASV enabled Council to maintain its expected level of rating income and expenditure program including planned infrastructure works, bush regeneration projects and an extension of the outdoor dining fee subsidy for local businesses.

I certify that Northern Beaches Council complied with all conditions set out in the instrument through the required disclosures in our Annual Report for the 2022/23 financial year. The relevant extracts along with the instrument are attached, specifically:

1. A comparison of Original Budget (per our ASV application) to actual results – page 208 'Income Statement'
2. A statement on page 236-237 outlining 'Material Budget Variations'
3. Disclosing the additional income raised by the Additional Special Variation with the Annual Report on page 142

Should you require any further information or assistance in this matter, please contact Caroline Foley on 8495 5586.

Yours sincerely

Scott Phillips
Chief Executive Officer

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LOCAL GOVERNMENT ACT 1993

INSTRUMENT UNDER SECTION 508(2)

ADDITIONAL SPECIAL VARIATION FOR NORTHERN BEACHES COUNCIL 2022-23

This instrument is made by the Independent Pricing and Regulatory Tribunal (**IPART**) as delegate for the Minister administering the *Local Government Act 1993* (the **Act**) (Delegation of 6 September 2010).

IPART determines under section 508(2) of the Act that:

1. The percentage by which Northern Beaches Council (**Council**) may increase its general income for Year 2022-23 is 2.4%.

   [*Note: The Council is required to reduce its income for Year 2022-23 to reflect any expiring special variation amount before increasing its general income for that year in accordance with clause 1.*]

2. The percentage increase set out in clause 1 is subject to the following condition:
   a. The Council report, in its annual report for the Year 2022-23, on the following for that Year:
      i the Council's actual revenues, expenses and operating balance against the projected adjusted revenues, expenses and operating balance specified in its Application;
      ii any significant differences between the Council's actual revenues, expenses and operating balance and the projected adjusted revenues, expenses and operating balance specified in its Application, and the reasons for those differences; and
      iii the Additional Income raised by this additional special variation.

3. In this instrument:

   "**Additional Income**" means:
   a. the additional income raised in accordance with clause 1 above, less
   b. any additional general income for Year 2022-23 that would otherwise be available to the Council under section 506 of the Act.

"**Application**" means Worksheet 8 of the document entitled "Northern Beaches Council – Application Part A" for the Council published on IPART's website.

"**Year**" means the period from 1 July to the following 30 June.

Dated 17 June 2022

16/06/2022

X 

Deborah Cope
Acting Chair
Signed by: Deborah Cope

Ms Deborah Cope, Acting Chair
On behalf of the Independent Pricing and Regulatory Tribunal
As delegate for the Minister administering the *Local Government Act 1993*

Northern Beaches Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	*$ '000*	Notes	*Actual 2023*	*Actual 2022*
	Income from continuing operations			
234,543	Rates and annual charges	B2-1	**234,424**	225,941
89,113	User charges and fees	B2-2	**91,876**	79,722
18,960	Other revenues	B2-3	**20,086**	22,343
19,648	Grants and contributions provided for operating purposes	B2-4	**31,496**	27,165
29,764	Grants and contributions provided for capital purposes	B2-4	**33,917**	43,952
1,034	Interest and investment income	B2-5	**7,085**	1,238
6,821	Other income	B2-6	**6,392**	6,736
457	Net gain from the disposal of assets	B4-1	**167**	960
400,340	**Total income from continuing operations**		**425,443**	408,057
	Expenses from continuing operations			
147,610	Employee benefits and on-costs	B3-1	**146,153**	134,560
145,251	Materials and services	B3-2	**157,273**	142,766
2,207	Borrowing costs	B3-3	**2,738**	2,624
46,767	Depreciation, amortisation and impairment	B3-4	**46,821**	45,508
19,946	Other expenses	B3-5	**20,765**	20,969
361,781	**Total expenses from continuing operations**		**373,750**	346,427
38,559	**Operating result from continuing operations**		**51,693**	61,630
38,559	Net operating result for the year		**51,693**	61,630
101	Net operating result attributable to non-controlling interests		**159**	206
8,795	**Net operating result for the year before grants and contributions provided for capital purposes**		**17,776**	17,678

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

$ '000	*2023 Budget*	*2023 Actual*	*2023 -------- Variance --------*		
Revenues					
Rates and annual charges	**234,543**	**234,424**	**(119)**	**0%**	**U**
User charges and fees	**89,113**	**91,876**	**2,763**	**3%**	**F**
Other revenues	**18,960**	**20,086**	**1,126**	**6%**	**F**
Operating grants and contributions	**19,648**	**31,496**	**11,848**	**60%**	**F**

Council budgets for recurring and secured operating grants and contributions. Variations to the budget include:
- $5.9m Regional and Local Road Repair Program grant
- $3.5m Financial Assistance Grant (timing of payments across financial years)
- $1.9m Natural Disaster Essential Public Asset Restoration funding for storms
- $0.7m Start Strong free preschool funding and other childcare grants

Capital grants and contributions	**29,764**	**33,917**	**4,153**	**14%**	**F**

Council budgets conservatively for capital grants and contributions so as to avoid reliance on unsecured funding. Variations to the budget include:
- $6.9m Developer contributions
- $1.4m Safer Schools Infrastructure funding
- $1.2m NSW RFS and Duffy's Forest Rural Fire Brigade contributions
- ($5.2m) Connecting Communities Cycleways Program delays

Interest and investment revenue	**1,034**	**7,085**	**6,051**	**585%**	**F**

Increased returns on investments of $6.1m were due primarily to higher interest rates and, to a much lesser extent, higher cash and investment balances.

Net gains from disposal of assets	**457**	**167**	**(290)**	**(63)%**	**U**

Council takes the conservative position not to budget for gains on disposal of assets with the exception of planned plant and equipment sales.
- $1.1m Plant and fleet net gain due to stronger sale returns and supply delays which resulted in lower book values
- $0.1m Proceeds on the sale of a road reserve at Herbert Avenue Newport
- ($1.5m) Written down value of infrastructure assets disposed during the renewal process.

Other income	**6,821**	**6,392**	**(429)**	**(6)%**	**U**

continued on next page ...

B5-1 Material budget variations (continued)

$ '000	2023 Budget	2023 Actual	2023 Variance		
Expenses					
Employee benefits and on-costs	**147,610**	**146,153**	**1,457**	**1%**	**F**
Materials and services	**145,251**	**157,273**	**(12,022)**	**(8)%**	**U**

The variance to the Original budget primarily reflects:

- Expenditure on grant funded projects including road works under the Regional and Local Road Repair Program ($5.8m) and works following storm events ($4.2m).
- Agency personnel to support the delivery of projects including the Enterprise Resource Planning system replacement, IT, Wakehurst Parkway flood investigations and backfilling vacant roles.

Borrowing costs	**2,207**	**2,738**	**(531)**	**(24)%**	**U**

Increase in the provision for the future remediation of the Kimbriki landfill site resulted in higher costs for the unwinding of the discount $0.4m. Increases in interest rates resulted in higher variable loan expenses $0.1m.

Depreciation, amortisation and impairment of non-financial assets	**46,767**	**46,821**	**(54)**	**0%**	**U**
Other expenses	**19,946**	**20,765**	**(819)**	**(4)%**	**U**
Statement of cash flows					
Cash flows from operating activities	**83,921**	**110,689**	**26,768**	**32%**	**F**

The favourable performance against budget primarily reflects:

- Interest received on investments is primarily due to higher interest rates.
- User charges and fees were stronger with continued recovery from the pandemic especially at the Aquatic Centres and Lakeside Holiday Park.
- Grants and contributions were higher due to the advanced receipt of the 2023/24 Financial Assistance grant and the receipt of both the Regional and Local Road Repair Program works grant and Local Emergency funding for storm events.

Cash flows from investing activities	**(82,418)**	**(104,702)**	**(22,284)**	**27%**	**U**

The unfavourable performance against budget primarily reflects:

- Payments for IPPE were lower than expected due to supply issues delaying the progress of some projects along with waiting for actions by external parties. Council also delayed the commencement of construction of some projects to provide further time for consultation.
- A higher investments balance due to the reasons noted above.

Cash flows from financing activities	**(6,141)**	**(6,079)**	**62**	**(1)%**	**F**

Former Pittwater Council Special Rate Variation

In June 2011, IPART approved the former Pittwater Council's application for a special rate variation. This resulted in an increase in rates over three years (2011-2014). These funds were for infrastructure works and environmental programs to be delivered over a 10-year period. The remaining projects under this program are currently being delivered.

In 2022/23 an amount of $8,133 was spent in the former Pittwater Local Government Area on the following capital project:

Project	$
Scotland Island roads and drainage improvements	8,133
Total	**8,133**

Opening balance of reserve	**236,206**
Expenditure (above)	(8,133)
Closing balance of reserve	**228,073**

Additional special rate variation – 2022/23

In June 2022, IPART approved a permanent additional special variation (ASV) for a 2.4% increase in rates 2022/23 (instead of the 0.7% rate peg). The ASV raised $3,014,468 in additional income above what otherwise would be available under the rate peg ($1,241,251).

The Office of Local Government established the ASV pathway as a one-off process for the 2022/23 financial year as such a low rate peg in a high inflationary environment would result in financial difficulties for NSW councils. The ASV enabled Council to maintain its expected level of rating income and expenditure program including planned infrastructure works, bush regeneration projects and an extension of the outdoor dining fee subsidy for local businesses.