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# Annual Report 2017/2018

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COMMUNITY COAST COUNTRY



## Annual Report 2017 – 2018

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Blue Lagoon Beach

## ABOUT SORELL

Sorell is one of Tasmania's oldest towns and today it is popular for its history, beautiful southern beaches, relaxed rural lifestyle and growing suburbs.

Located just 25 kilometres from Hobart in the coastal area of south-east Tasmania, the Sorell Municipality covers some 583 square kilometres and is characterised by low forested hills and long coastlines filled with beautiful beaches.

The key entrance points to the municipality are Midway Point, Dunalley and Orielton. Our municipal borders extend north through to Orielton and further south-east around the scenic coastline encompassing the townships of Lewisham, Dodges Ferry, Carlton, Primrose Sands, Connellys Marsh, Dunalley, Marion Bay and Boomer Bay. The border extends through rolling hillsides and unique Tasmanian forests, incorporating the townships of Bream Creek, Forcett, Copping, Nugent and Kellevie.

The Sorell Township provides a regional commercial focus for residents of the Municipality, as well as servicing the Tasman and Forestier Peninsulas and the east coast as far north as Swansea.

The Southern Beaches, once a traditional shack settlement, have become increasingly

attractive to retirees and families who are keen to take advantage of the relaxed beachside lifestyle. In summer, an influx of shack owners and visitors swells the population of this area.


Sorell is one of Tasmania's fastest growing Municipalities, with recent growth exceeding state averages. The Sorell Municipality continues to attract young families with its affordable housing, natural coastland, rolling hills and the convenience of major shops and services all within close proximity to Hobart.

### Invitation for Submissions

Members of the community are invited to make submissions on the Annual Report for discussion at Council's Annual General Meeting, which will be held at 5.00pm on Tuesday 11<sup>th</sup> December in the Council Chambers. Any person wishing to make a submission can do so by addressing it to:

Robert Higgins, General Manager.  
Email: [sorell.council@sorell.tas.gov.au](mailto:sorell.council@sorell.tas.gov.au).  
Mail: 47 Cole Street, Sorell TAS 7172.

Submissions must be received by close of business Wednesday 5<sup>th</sup> December 2018.

A photograph of Mayor Kerry Vincent, a middle-aged man with glasses, wearing a dark suit, white shirt, and light blue tie. He is standing at a podium with a microphone, speaking. Behind him are three flags: the Australian flag, the South Australian flag, and the Sorell Council flag. The background is a red curtain.

Mayor Kerry Vincent at the  
Australia Day Awards Event

## MAYORS REPORT

Without a doubt, my highlight of 2017/2018 was the State Government's commitment to fund vitally needed services and infrastructure for our region. These commitments are \$27 million dollars plus for the Sorell School redevelopment, approximately \$65 million dollars for highway infrastructure improvements, \$12 million dollars for a new state of the art Emergency Services Hub in Sorell, \$2.5 million dollars for Pembroke Park upgrades as well as the announcement of improved and extended bus services to begin in 2019. I'm delighted that Council's hard work and commitment over the past five years to highlight the requirements of our growing community to Government Ministers and Departments has been so successful. I look forward to seeing these projects come to fruition over the next few years and appreciate the State Government's ongoing commitment to projects in the south east region.

Sorell Council's amalgamation journey was in full force during 2017/2018. The process we went through was highly valuable. We

learnt important information about the short and long term sustainability of Council, as well as Council's vulnerability in regards to large scale one-off events such as floods and fires. It also highlighted the fact that in the near future, a complete review of how Local Government operates is necessary. Local Government amalgamations/mergers/reform will continue to be an important topic for the state in the coming years.

Council continued the growth and development of the asset management program during 2017/2018. The continued focus on maintaining the assets we have, has ensured a solid foundation and validity for our Long Term Financial Plan. Inspection and maintenance practices have been consolidated which assists Council in the delivery of capital works. The asset management program also became cloud based during the year. This means staff can accurately capture data in the field and update it straight into the works program which helps deliver operational efficiencies for Council.



The continuation of Councils consultation with the community was another highlight of the year. The Seniors Advisory Group continues to gain popularity with local seniors. These quarterly meetings provided an opportunity for Council to engage with the older members of our community to find out what issues they are facing as well as update them on Council projects and activities. Our series of Community Conversations were also well supported as usual. These meetings are really valuable for giving the community the opportunity to informally meet face to face with their elected members and Council Management and discuss what's happening in their community and the issues they are facing. The discussions had at these meetings help Council identify smaller issues and deal with them before they become bigger problems. Council also undertook community consultation with our local youth regarding the potential upgrade of the Sorell Skate Park. The large number of youth at this session on a cold and rainy day highlights the need for a high quality skate park facility in Sorell. Council continue to work towards making this need a reality. I'd like to thank all those in our community who attended these meetings and embraced the opportunity to have input.

Sorell Municipality received some well-earned recognition for our beautiful Municipality in the 2017 Keep Australia Beautiful Awards. Carlton Beach was awarded the Clean Beaches Award and Sorell was awarded the Tidy Towns population 1000 – 5000 Award. These accolades show that the work Council has been putting into streetscaping,

beautifying and preserving our public and natural spaces is paying off. We have much to be proud of in our community and it's fantastic to see that being recognised with these Awards.

I extend a big thank you to management and staff at Council. New team members have settled in well and gelled with existing staff to create a cohesive and settled staff cohort. Staff have continued to work diligently and constructively to find efficiencies in work practices and achieve goals. A number of staff have upskilled and received training and development which has enhanced the multi-disciplinary skill set of Council Officers. Significant numbers of Sorell staff have also voluntarily been a part of the betterment of the region through resource sharing. The retirement of Betty Spaulding after 45 years' service to Council and the community in February saw the departure of a great deal of knowledge and experience. However, it's been wonderful to see the other staff stepping up to fill this gap. In recent months I've received many compliments and positive feedback from the community about Council staff's efficient and knowledgeable service. Thank you to all for your hard work and efforts.

**Mayor Kerry Vincent**



Imlay Street Park

## GENERAL MANAGERS REPORT

Despite the Local Government Board due diligence investigation into the proposed merger between Tasman and Sorell Councils not receiving the required final support by both Councils, the process nonetheless provided a number of benefits. This was with regard to the additional financial and asset management scrutiny from the Board and their consultants that has resulted in a more robust, transparent and realistic long-term financial plan for Council. Sorell will still be challenged with generating sufficient revenue to provide the expected levels of asset, customer, community and regulatory services and this will continue to be the case until more capital/rate dense commercial, industrial and agricultural land is provided and/or developed.

Council has determined what is required to achieve this and is actively advocating and facilitating processes through the State Government, however, it is not a simple or rapid task. There continues to be a disconnect between key government agencies regarding the establishment and implementation of consistent policy. This task is a key focus for Council and continues to form a large part of the Mayor and General Manager roles.

On the matter of rates, the merger was to be an opportunity to reconstruct and simplify the complex Sorell rates structure and apply it over a greater rate base. This will now have to be considered and implemented just for Sorell and will likely take a number of years to roll out to manage impacts.

We have further progressed our operating and financial performance against more robust and transparent financial and asset data whilst delivering sustainable services to the community. The education/consultation requirements associated with this for our ratepayers has improved but the need still remains. There have been some difficult discussions with Councillors, community and sporting groups and ratepayers around what the Council can afford to sustain without increasing rates and user fees, reducing services or requiring others to subsidise.

Sorell is acknowledged by the State Government and their agencies as a local government leader who is facing the challenges of running operations sustainably over the longer term and that it is current and future ratepayers who are providing the bulk of the revenue. Our decisions today



have long-term consequences. To that end, the support of our Councillors in tackling these issues is appreciated.

Council delivered a capital works program of \$6.735m including a 91% asset sustainability ratio from \$4.678m of asset renewal/replacement, \$2.057m for new/upgraded assets and maintenance expenditure of \$3.438m.

We ended the year with a net loss of \$991k against a budgeted profit of \$209k, however, this was impacted by a \$3.802m asset disposal (principally from the transport and plant asset classes). This impact flowed into one of the key management indicators of the Tas Audit Office, the underlying position. This comprised the net operating result (-\$991k) less non-operating capital income (\$1.624m) and FAG's received in advance (\$1.07m). For the 2015/2016 year Sorell achieved a surplus of \$794k, for 2016/2017 a surplus of \$18k and for 2017/2018 a deficit of \$2.609m. The impacts of this result will be factored in to our 20 year long term financial plan to inform successive budgets, revenue requirements and if there is any impact on services.

Our net assets and total equity all increased (including our cash position). Grant income again reduced at both the Federal and State level by \$1.152m. With our ongoing asset management investigations and refinement of policies, strategies and plans, our depreciation increased through 2017-2018 by an additional \$112k that has to be funded through operating revenue.

Council continued to generate additional revenue in the order of \$405k through our involvement in the common service agreement with a number of other Councils.

Some of the functional services we continue to provide to other Councils on commercial terms include Human Resources, ICT, GIS,

Development Engineering, Facilities Management, Works Management, Building Surveying, Environmental Health and Plant acquisition/utilisation. This is only possible with staff who have a can do attitude and flows through to our continually improving customer service performance.

Council's advocacy and facilitation role over the past four years delivered outcomes for the municipal area and south-east region. A number of commitments provided from the State election included significant transport infrastructure (airport roundabout, Tasmania Golf Club to causeway road widening, Midway Point junction upgrade, eastern bypass, Ironstone Creek overtaking lane, Metro bus services), education (Sorell School investment), emergency management hub and sport/recreation investments (Pembroke Park) over their next term.

Amongst our various activities and functions we also achieved productive outcomes with community consultation activities around the following: - ongoing community conversations, carrying out the CAC cultural precinct business case, Black Spot and Vulnerable Road User grant applications for pedestrian crossing upgrades, Tasmanian Community Fund grant for Dodges Ferry skate park upgrade, grant funding for additional works to Orielton Lagoon loop, identifying long term sites for Sorell Men's Shed and Hobart Vintage Machinery Society, utilising the Pembroke Park Master Plan and Business Case to gain a \$2.5m funding commitment from the State government, continued support to the 2013 Bushfire STAARC, revised Dog Management Plan, advocating with Department of Education over options/status with the LINC site redevelopment and the review of the Hobart Airport Corporation flight paths.

Council again hosted a regional Cabinet meeting in late 2017 and was able to

demonstrate and reinforce the importance of the south-east region to the southern and state economy through evidence based data. We also reiterated that time was running out for the current Government to show strong leadership on how it intended to assist Council tackling some of the long overdue infrastructure investments. To their credit, they delivered a package of significant infrastructure commitments – rolling them out in a timely manner will be the ongoing challenge.

The continued work carried out by the SERDA group of south-east Councils remains a vital task and by extension, the cooperation between the four Council Mayors is paramount. The body of work finalised through the Regional Workforce Plan and done in partnership with Skills Tasmania was recognised by the Tasmanian Community Fund who provided significant funding to facilitate the creation of a Regional Workforce Coordinator position based at Sorell for three years and operating across the SERDA region. This is expected to deliver positive employment results for residents and business owners as the relevance and attractiveness of the south-east continues with regard to transport and education requirements, business investment through the irrigation scheme and tourism infrastructure and continuing strong residential growth.

The Copping landfill and Lutana waste transfer station continued to operate with increased profitability through Southern Waste Solutions on behalf of the Joint Authority. The C Cell civil construction works were completed and attained operational status through 2017/2018. The strategic

importance of the site overall, and in particular the C Cell for the south of the State will increase into the future. Council's commitment to the authority continues and supports best practice in waste management culminating in the commercial operation of the Category C cell and other site improvements.

As I acknowledged each year, Council is grateful for the efforts of all community, recreational and volunteer organisations and respective individuals who continue to play vital roles that assist our operations and importantly, keep the community together and engaged. We could not afford to operate our business without your help.

My thanks always to staff and Councillors who through hard work, consistent focus and co-operation achieved continued improvement in what Council did and how it conducted its business and should be rightly proud of their efforts. It is appropriate to recognise the more than 40 years of loyal service from Betty Spaulding after she retired from Council in early 2018. The changes to local government (and indeed society) Betty has witnessed over this time would make a good, if not telling, read. We wish her and Rodney all the best for the future.

Please contact me if there are any matters you wish to discuss or seek further clarification on.

**Robert Higgins**  
**General Manager**





## YOUR COUNCILLORS

### TERMS OF SERVICE AND REPRESENTATIONS

#### Mayor Kerry Vincent

**Terms as Councillor: 2009 - Present**

**Terms as Mayor: 2012 - Present**

**Committee Representations:**

- Municipal Emergency Management Committee
- Copping Refuse Disposal Site Joint Authority
- South East Region Development Association
- Development Assessment Special Committee
- Sorell Tasman Affected Area Recovery Committee
- TasWater
- Local Government Association of Tasmania
- Southern Tasmania Councils Authority (STCA)
- Sorell Streetscape Committee
- Arts and Cultural Working Group Committee
- Seniors Advisory Group
- Municipal Alliance Committee
- Chair of Waste Strategy South STCA
- STCA Economic Committee
- STCA Governance and Audit Committee
- Chair South East Merger Options and Amalgamation Working Group
- Waste Strategy South



#### Deputy Mayor Brett McDonald

**Terms as Councillor: 2007 - Present**

**Terms as Deputy Mayor: 2011 – Present**

**Committee Representations:**

- Development Assessment Special Committee
- Sorell Code of Conduct Panel
- Municipal Alliance Committee
- Pembroke Park Advisory Committee



#### Councillor Kerry Degrassi

**Terms as Councillor: 1996 - Present**

**Terms as Mayor: 1999 – 2000**

**Committee Representations:**

- Arts and Cultural Working Group Committee
- Primrose Sands Community Hall Committee
- Development Assessment Special Committee





### Councillor Deborah De Williams

**Term as Councillor: 2014 - Present**

**Committee Representations:**

- Development Assessment Special Committee
- Sorell Code of Conduct Panel
- Sorell Streetscape Committee
- Sorell Audit Committee



### Councillor Graeme Evans

**Terms as Councillor: 1999 - Present**

**Terms as Deputy Mayor: 2001 – 2011**

**Committee Representations:**

- Copping Refuse Disposal Site Joint Authority
- Development Assessment Special Committee
- Copping Hall and Reserves Committee
- Sorell Memorial Hall Caretaker



### Councillor Vlad Gala

**Term as Councillor: 2014 - Present**

**Committee Representations:**

- Development Assessment Special Committee
- Sorell Audit Committee



### Councillor Natham Reynolds

**Term as Councillor: 2014 - Present**

**Committee Representations:**

- Development Assessment Special Committee
- Sorell Code of Conduct Panel
- Pembroke Park Advisory Committee



### Councillor Carmel Torenus

**Terms as Councillor: 1991 – 2012 & 2014 - Present**

**Terms as Mayor: 1994 – 1999 & 2000 – 2012**

**Committee Representations:**

- Development Assessment Special Committee
- Sorell Streetscape Committee
- Dunalley Hall and Reserves Committee



### Councillor Lindsay White

**Terms as Councillor: 2011 – Present**

**Committee Representations:**

- Development Assessment Special Committee
- East Coast Fire Management Committee



## COUNCILLOR ALLOWANCE AND EXPENSES

In 2017/2018 Council provided allowances and reimbursement for reasonable expenses to the Mayor, Deputy Mayor and Councillors.

Councillor allowance and expenses totalled \$188,000.

## COUNCILLOR ATTENDANCE

| NAME                           | WORKSHOP/BRIEFING | DASC MEETINGS | COUNCIL MEETINGS | AGM      | SPECIAL COUNCIL MEETINGS | TOTAL OF MEETINGS FOR FINANCIAL YEAR |
|--------------------------------|-------------------|---------------|------------------|----------|--------------------------|--------------------------------------|
| Mayor Kerry Vincent            | 11                | 18            | 12               | 1        | 1                        | 43                                   |
| Deputy Mayor Brett McDonald    | 11                | 12            | 11               | 1        | 1                        | 36                                   |
| Councillor Kerry Degrassi      | 9                 | 13            | 9                | 1        | 1                        | 33                                   |
| Councillor Deborah De Williams | 10                | 18            | 11               | 1        | 1                        | 41                                   |
| Councillor Graeme Evans        | 12                | 16            | 11               | 1        | 1                        | 41                                   |
| Councillor Vlad Gala           | 11                | 10            | 10               | 1        | 1                        | 33                                   |
| Councillor Natham Reynolds     | 10                | 17            | 12               | 1        | 1                        | 41                                   |
| Councillor Carmel Torenus      | 12                | 16            | 10               | 1        |                          | 39                                   |
| Councillor Lindsay White       | 11                | 16            | 11               | 1        | 1                        | 40                                   |
| <b>TOTALS</b>                  | <b>97</b>         | <b>136</b>    | <b>97</b>        | <b>9</b> | <b>8</b>                 |                                      |





Seniors Week bus trip to Mt. Field National Park





Looking across to Sorell from Midway Point

## STATUTORY REPORTING

### GRANTS, ASSISTANCE AND BENEFITS PROVIDED UNDER SECTION 77 (1)

#### FUNDING ASSISTANCE FOR SPORTING REPRESENTATION

|                                      |                   |
|--------------------------------------|-------------------|
| Individual State Representation x 17 | \$2,550.00        |
| Team State Representation x 2        | \$600.00          |
| <b>Sub Total Funding Assistance</b>  | <b>\$3,150.00</b> |

#### YOUTH GRANTS

|                                      |                   |
|--------------------------------------|-------------------|
| Sorell Cricket Club                  | \$1,000.00        |
| South East District Little Athletics | \$1,115.30        |
| <b>Sub Total Youth Grants</b>        | <b>\$2,115.30</b> |

#### COMMUNITY ASSISTANCE GRANTS

|   |            |
|---|------------|
| Dodges Ferry Fire Brigade               | \$600.00   |
| Dodges Ferry Junior Soccer Club         | \$1,200.00 |
| Dodges Ferry Primary School Association | \$1,500.00 |
| Forcett Community Hall Committee        | \$1,100.00 |
| Historical Society of Sorell            | \$1,500.00 |
| Jazz by the Sea                         | \$700.00   |
| Midway Point Fire Brigade               | \$500.00   |
| Okines Community House                  | \$317.00   |
| Orielton Hall Committee                 | \$1,100.00 |
| Pittwater Community Garden              | \$730.00   |
| Primrose Sands Parenting Group          | \$500.00   |
| Sea Rescue – Dodges Ferry               | \$750.00   |
| Sorell Cricket Club                     | \$500.00   |
| Sorell Mens Shed & Heritage Museum      | \$1,500.00 |
| South East Basketball Association       | \$945.00   |
| South East Netball Association          | \$1,500.00 |
| South East United Football Club         | \$1,500.00 |

|  |                    |
|--|--------------------|
| Southern Beaches Landcare/Coastcare          | \$500.00           |
| Southern Tasmanian Country Music Muster      | \$1,500.00         |
| <b>Sub Total Community Assistance Grants</b> | <b>\$18,442.00</b> |

| <b>DONATIONS</b>                        |                    |
|---|--------------------|
| Art Acquisition Prize                   | \$1,500.00         |
| Bream Creek Show Society                | \$2,327.22         |
| Bream Creek Show Society                | \$1,000.00         |
| Combined Churches Carols by Candlelight | \$1,000.00         |
| Dunalley Primary School                 | \$60.00            |
| Forcett Community Hall                  | \$1,659.90         |
| Nugent Community Hall                   | \$1,303.51         |
| Sea Rescue                              | \$2,000.00         |
| SPEAK UP! Stay ChatTY                   | \$500.00           |
| <b>Sub Total Donations</b>              | <b>\$11,350.63</b> |

| <b>SCHOOL BURSARIES</b>           |                 |
|-----------------------------------|-----------------|
| Dodges Ferry Primary School       | \$200.00        |
| Dunalley Primary School           | \$200.00        |
| Sorell Primary School             | \$200.00        |
| Sorell High School                | \$300.00        |
| <b>Sub Total School Bursaries</b> | <b>\$900.00</b> |

|                                   |                    |
|-----------------------------------|--------------------|
| <b>TOTAL DONATIONS AND GRANTS</b> | <b>\$35,957.93</b> |
|-----------------------------------|--------------------|

## **COPPING REFUSE DISPOSAL SITE JOINT AUTHORITY**

The Copping Refuse Disposal Site Joint Authority (Trading as Southern Waste Solutions) was established under Section 30 of the *Local Government Act 1993* by Sorell Council, Clarence City Council and Tasman Council. Kingborough Council later joined the Authority in 2009.

### **Activities**

The Copping Refuse Disposal Site Joint Authority's function is to promote and manage a putrescible landfill disposal site

which conforms to its Development Proposal and Environmental Management Plan (DP&EMP) and permit conditions.

### **Budget and Performance**

Net operating result before tax was \$925,761 (2017 profit \$997,895) which was \$650,276 above budget. The contributing factors to the result were an increase in gate revenue over budget of \$941,928 offset by operating expenditure above budget by \$322,861. The total comprehensive surplus for the year was \$484,466 (\$665,559 for 2016/2017).



## CONTRACT FOR THE SUPPLY OF GOODS AND SERVICES

In accordance with Regulation 23(1) of the *Local Government (General) Regulations 2015*, below is a list of Goods and Services valued at or above \$250,000 excluding GST which were entered into in the 2017-2018 financial year.

| Item | Description of Contract                                       | Contract Period                      | Contract Value \$ | Successful Contractor       |
|------|---|--------------------------------------|-------------------|-----------------------------|
| 1    | Reconstructions of Brinktop Road – including additional works | 23 March 2018 – 19 June 2018         | \$992,542.66      | Andrew Walters Construction |
| 2    | Reconstructions of Penna Road                                 | 30 April 2018 – 13 August 2018       | \$430,019.76      | Cunningham Holding P/L      |
| 3    | Carlton River Road – Black Spot Program                       | 25 September 2017 – 16 November 2017 | \$348,733.50      | Andrew Walters Construction |
| 4    | Nugent Road   | 11 September 2017 – 18 December 2017 | \$507,889.96      | Andrew Walters Construction |
| 6    | Old Forcett Road (Reseal)                                     | September 2017 – December 2017       | \$254,178.44      | Rockit Asphaltting          |
| 7    | Penna Road (Reseal)   | January 2018 – June 2018             | \$319,862.88      | Rockit Asphaltting          |
| 9    | Purchase of Grader  | January 2018                         | \$266,290.20      | Komatsu Australia           |

## **PUBLIC INTERESTS DISCLOSURES ACT 2002**

Section 86 of the *Public Interest Disclosures Act 2002* states that Council as a public body is required by the *Local Government Act 1993* to prepare an Annual Report and therefore must report on the following:

Information as to how persons may obtain or access copies of the current procedures established by the public body under the Act – Council’s *Public Interest Disclosure Procedure* is freely available for download on Council’s public website (<http://www.sorell.tas.gov.au/publications/policies/>) and can also be accessed by phoning Customer Service.

The number and types of disclosures made to the relevant public body during the year and the number of disclosures determined to be a public interest disclosure – None.

The number of disclosures determined by the relevant public body to be public interest disclosures that it investigated during the year – None.

The number and types of disclosed matters referred to the public body during the year by the Ombudsman – None.

The number and types of disclosed matters referred during the year by the public body to the Ombudsman to investigate – None.

The number and types of investigations of disclosed matters taken over by the Ombudsman from the public body during the year – None.

The number and types of disclosed matters that the relevant public body has declined to investigate during the year – None.

The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation – None.

Any recommendations made by the Ombudsman that relate to the relevant public body – None.

## **ENTERPRISE POWERS STATEMENT**

Sorell Council has not resolved to exercise any powers or undertaken any activities in accordance with Section 21 of the *Local Government Act 1993*.

## **DONATION OF LAND STATEMENT**

Sorell Council has not resolved to donate any lands in accordance with Section 177 of the *Local Government Act 1993*.

## PUBLIC HEALTH STATEMENT

The Environmental Health section consists of the Manager Regulatory Services (who is a qualified Environmental Health Officer), a 3-day per week Environmental Health Officer, Senior Compliance Officer and two Animal Management Officers (one full-time and the other 3-days per week). The section is responsible for public health activities such as food business regulation, public health risk activities, places of assembly, water quality, immunisations, animal management, fire hazard abatement on private land and caravan licensing. Environmental Health Officers assess building, planning and plumbing applications, investigate pollution complaints, provide environmental health input into Council business processes and administer the Environmental Health and Public Places By-laws. The Manager Regulatory Services also administers waste management collection contracts and supervises building and plumbing staff. The Senior Compliance Officer manages the fire hazard programme, enforces by-laws, collects water samples, investigates environmental/nuisance and the litter complaints and assists the Animal Management Officers with animal control.

The section regulates major public events including the Falls Festival and Bream Creek Show. Environmental Health Officers attended these events and checked for compliance with permit conditions.

Recreational water quality monitoring completed at swimming beaches during the summer found that all sites monitored have good water quality with the exception of Connellys Marsh Beach and

the beach below McKinly Street in Midway Point, which are both moderate. Warning signs will be erected at these sites advising residents not to swim after heavy rainfall.

There continued to be a significant number of complaints about noise, backyard burning, barking dogs, dog attacks and fire hazards. Officers are using enforcement options including education, warnings, infringement notices, seizures, and formal orders. Complaints are prioritised and investigated considering; public safety, the extent of environmental impact and available resources.

Enforcement action has been taken for several environmental issues resulting in notices being issued. Environment Protection Notices were issued to regulate trials of fish waste being applied to land as a fertiliser on several local properties.

Several foodborne illness investigations were completed and immediate public health interventions taken. No subsequent complaints have been received. Food complaints received included selling food beyond the used by-date, food containing allergens and food that was mouldy.

The owner of a dwelling issued with a closure order has complied with the order. Food business inspections were undertaken with the number completed higher than last year, but not all businesses received an annual inspection. High-risk business were inspected but not at the desired inspection frequency.



Public health risk activities and high-risk private water suppliers received inspections and registered as required by the *Public Health Act 1997*.

The School immunisation programme was completed at Sorell School for grade 7 students.

Council ran a 6-month trial of a wheelie bin stabiliser developed by the Manager of Regulatory Services in conjunction with Pinecrest Engineering and Derwent Industries. The trial found that the stabiliser is very effective at preventing bins blowing over.

There continues to be a high incidence of dogs attacking people and other animals. Animal Management Officers typically resolve these incidents by seizing the dog and/or issuing infringement notices or prosecutions. The Animal Management Officer also conducts periodic patrols at dog exercise areas over summer. Unfortunately, the number of complaints about people failing to comply with restrictions is increasing

Animal Management Officers completed a number of property inspections and identified several hundred unregistered dogs.

Red Ochre Beach dog exercise area was changed to prohibit dogs over summer, which resulted in a large number of complaints. Council will review the exercise area restrictions for next year.

218 fire abatement notices were issued in 2017/2018. The majority of landowners complied with the notice, however, when this did not occur Council's contractor cleared the land and charged the owner.

Cameras were installed at the recycling centres in early 2018. The footage gathered has enable Council staff to issue numerous littering infringement notices.

The Senior Compliance Officer, with the assistance of the Animal Management Officers, have identified a number of unlicensed caravans or existing caravans that had not paid renewal notices.

### **Building and Plumbing**

Building and plumbing staff have been very busy assessing applications and enforcing the *Building Act 2016*. The number of applications received combined with complaint investigation and enforcing the Act was resource demanding for Council staff.

Fines were issued for a range of infringements, such as undertaking work without a building permit.

Plumbing and building notices/orders issued typically related to defective stormwater, outbuildings constructed without a permit/CLC, non-compliant plumbing work and converting outbuildings into habitable building with a permit.

## SORELL AUDIT PANEL REPORT

### **SORELL COUNCIL** **AUDIT PANEL REPORT 2017/2018**

The Sorell Council Audit Panel is pleased to be able to present its Report for the year 2017/18.

This Audit Panel is established pursuant to Section 85 of the *Local Government Act* and the *Local Government (Audit Panels) Order 2014*.

Sorell Council Audit Panel has been established since 2014. However due to changes in the legislation in early 2016, the current panel of three independent members (including the Chair) and two Councillors was appointed in March 2016. During the year under review, Mrs. K. Hudson resigned from the panel and was replaced by Mrs. Carolyn Pillans. The Panel would like to thank Mrs. Hudson for her considerable contribution to the work of the Panel, particularly the work she completed outside the Panel meetings in working on the revision of the Panel Charter and codification of the Audit Panel Work Plan.

The members of the panel for the year were:-

- Mr. David Sales (Chair) 5/5 attended
- Mrs Kim Hudson (until March 2018) 4/4 attended
- Mrs Helen Galloway 5/5 attended
- Mrs. C. Pillans (from April 2018) 0/1 attended
- Cr. Deborah De Williams 3/5 attended
- Cr. Vlad Gala 2/5 attended

The Panel met on 5 occasions during the year and the attendance is as shown above

As required by the Order, the General Manager attended all 5 meetings.

In terms of the *Order*, the Panel is required to consider:

- Whether the annual financial statements of the Council accurately represent the state of affairs of the Council;
- Whether and how the Part 7 plans are integrated and the processes by which, and assumptions under which those plans are prepared;
- The accounting, internal control, anti-fraud, anti-corruption and risk management policies, systems and controls that the Council has in relation to safeguarding its long term financial position;
- Whether the Council is complying with provisions of the Act and any other relevant legislation; and
- Whether the Council has taken any action in relation to previous recommendations provided by the audit panel to the Council and, if it has taken action, what that action was and its effectiveness.

In complying with these legislative requirements, the Panel must take into account the size of the Council and the maturity of the internal audit practices in place.

The *Order* requires that an Audit Panel prepares an annual work plan which it has done. In determining its work plan, the Panel took into account the particular circumstances of the Council. The work plan has been updated during the year and a copy is attached for information.

Sorell Council is a medium sized Council and participates in a shared services arrangement with a number of other Councils to provide a number of its services. The Panel where necessary met with officers from other Councils who were responsible for providing shared services.

In accordance with the Charter, the Panel's Work Plan in 2017/18 included:

#### **External Audit**

- Meeting with the External Auditors on a number of occasions;
- Providing input and feedback on the financial statements and performance audit coverage proposed by external audit and providing feedback on the audit services provided;
- Receiving and considering all external plans and reports in respect of planned or completed audits and monitoring management's implementation of audit recommendations;

#### **Annual Audited Financial Statements**

- Satisfying itself that the financial statements were supported by appropriate management and sign-off;
- Reviewing the financial statements, including the appropriateness of Accounting Policies and significant estimates and judgements adopted in the preparation of the financial statements;

#### **Risk Management**

- Actively reviewing the risk management framework, and associated procedures that are in place for management to effectively identify and manage the Sorell Council's financial and business risks;
- Monitoring the organisational performance in managing the risks identified in the risk register(s).

#### **Internal Control**

- Ensuring that the internal control measures in place are appropriate for the size of the council
- Reviewing the operation of internal control measures
- Checking compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements



- Monitoring ethical standards and related party transactions by determining whether the systems of control are adequate
- Monitoring the progress of any major lawsuits facing the council

The Committee met on the five occasions during the year and there were no specific irregularities that the Panel drew to the attention of Council. A number of systemic improvements were discussed with the General Manager in the course of the meetings and have been implemented.

A copy of the minutes of each Panel Meeting was submitted to Council for its information.

During the year, the Panel as required by the Order conducted a review of its Charter and recommended a slightly amended version to Council for adoption. At the time of writing this Report, the Panel had not been advised as to whether Council had adopted that version of the Charter.

There are a number of areas which the Panel continues to monitor to ensure the proper implementations of its recommendations.

The Panel recognises that the Council is not a large Council and its resources are necessarily limited. It is not a criticism of the existing highly competent staff employed by the Council but it appears to the Panel that some areas of especial interest to the Panel particularly risk management may be hampered by lack of resources. The Panel also notes particularly in this area that Council is endeavouring to provide additional resources.

Of course one area which can be a risk and is generally outside Council's control is legislative change. Two such areas which have remained fluid during the year were the proposed changes to the Taswater legislation and the various amalgamation proposals. The Panel has continued to keep these matters under review at each meeting with a view to assessing the risk each proposal imposes on Sorell Municipality.

The Panel has met regularly with the External Auditor during the year during meetings both with and without management present. The Panel is pleased to say that there were no matters of concern raised by either party.

There were no specific matters referred by Council for consideration of the Panel.

The Order also requires the Panel to regularly review the Audit Panel Charter and conduct a self-assessment of the Panel's performance. This review commenced during the year under review and it is anticipated that it will be completed in the first quarter of 2018/19 and subsequently the results will be reported to Council

The Panel would like to thank all staff, in that they unfailingly went out of their way to provide the Panel with any information and documentation that it required.



Marion Bay Viewing Platform

## ANNUAL PLAN REPORTING

Summary of strategies and initiatives of Key Focus Areas for the 2017/2018 financial year.

|     |   |
|-----|---|
| 1.0 | <b>Identify, Scope and Attract Priority Infrastructure Projects.</b>  |
| 1.1 | <b>Coordinate and support sustainable grant funding applications to State and Federal Governments that are strategically aligned with Council priorities and where applicable, the SERDA South East Economic Infrastructure Strategy.</b><br><br>Ongoing – Successful funding programs submitted and approved for: <ul style="list-style-type: none"><li>– Tasmania Community Fund – Dodges Ferry Skate Park.</li><li>– Black Spot Fund – guardrail on Bream Creek Road corner.</li><li>– Vulnerable Road Users Grant - pedestrian crossings and footpath upgrades at Forcett Street in Sorell and Penna Road in Midway Point.</li><li>– Federal Government Bridge Renewal Program Round 3 - Sunnyside Bridge replacement and associated road realignment.</li><li>– Tasmania Infrastructure Fund – Orielson Lagoon Loop walkway project (Stage 2).</li></ul><br><b>Pursue ongoing commitment to the implementation of the SERDA South East Economic Infrastructure Strategy from partner stakeholders and agencies.</b><br><br>In Progress – Continued communication with all political parties, local members and State agencies with demonstrated progress with the State Government on Education and Transport. |

---

## 1.2 IRRIGATION

**Through engagement with industry and government agencies, continue to determine supporting infrastructure that will maximise benefits of the irrigation scheme e.g. land zoning and subdivision standards in the Single Statewide Planning Scheme, power availability, labour availability, water, waste, transport and with a focus on the Orielton zones.**

Combined southern regional Council strategic review of agricultural land capability has been finalised. This review will be incorporated in Council's Single Statewide Planning Scheme submission to the Planning Commission.

---

## 1.3 INFRASTRUCTURE PROJECTS

**Pursue an ongoing commitment from TasWater to the strategic provision of necessary capital upgrades to water and sewer infrastructure with associated funding that will enable continued economic growth.**

Tasmanian Councils and the State Government reached agreement over new governance and ownership changes to TasWater which includes the State Government injecting additional capital funds into the TasWater business over the next ten years. Sorell Council met with TasWater during the year and received written confirmation on the Growth and Capacity Plan projects being undertaken by TasWater in the Sorell Municipality.

**Continue the reinvigoration of the Sorell CBD through the continued upgrading of streetscape elements and implementation of contemporary urban design.**

Footpaths renewed in Cole Street (opposite Sorell Plaza) and a portion of Main Road.

**Incorporate the 20 year commercial and industrial land supply strategy recommendations into the LPP of the State-wide Planning Scheme and Southern Tasmanian Regional Land Use Strategy review.**

In Progress – Significant progress made during March to June 2018. Sorell's submission to the Planning Commission is scheduled to be delivered in November 2018.



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**Advocate for continued development and commercial activity for the Copping Refuse Disposal Site.**

Ongoing – C Cell construction completed and will be operational in Quarter 1 of the 2018/2019 financial year.

---

**1.4 EDUCATION**

**In partnership with the Department of Education, assist in finalising the strategic plan for the Sorell School site incorporating the current and future education needs of the South East (including Dodges Ferry School), development opportunities and to assist in reducing transport infrastructure pressures.**

In Progress – Department of Education has secured a partner who will deliver early learning services as part of the redevelopment of Sorell School. Sorell School funding is now contained within the State Governments forward estimates and budget papers.

Continue to support Dodges Ferry school to secure funding to provide new infrastructure to provide for known growth in future enrolments.

**In partnership with the SERDA Councils, Department of Education and Department of State Growth, pursue an ongoing commitment to the implementation of the 2017 Regional Workforce Plan for strategic growth industries.**

SERDA submitted a successful Tasmania Community Fund grant application to support its South East Workforce Development Project.

**Continue to advocate for the development of an integrated LINC facility at Sorell through the Department of Education in accordance with their strategic purchase of the Cole Street sites.**

The State Government, whilst committed to the project, has made no budget allocation for this project in the forward estimates.

---

**1.5 HEALTH AND HOUSING**

**Continue to advocate for Health, Housing and Aged Care development opportunities.**

In Progress - Proactively identifying development opportunities for aged care development proponents and advocating through relevant State agencies and privately operated businesses.

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**1.6****RECREATION**

**Continue the development and implementation of our Tracks and Trails Strategy delivering a prioritised and funded program of asset renewal and provision of upgraded and new facilities with a focus on future stages of the Orielton Shared Pathway Loop by partnering and applying for available grants.**

In Progress – Stage 2 construction of Orielton Lagoon Loop was completed. Stage 3 concept has been finalised ready for inclusion in any future grant opportunities during 2018/2019.

**Continue to advocate for the sustainable and strategic investment in the sub-regional recreational facility of Pembroke Park that is consistent with the Pembroke Park Master Plan and business case and to pursue co-funding opportunities with State and Federal government and representative sporting bodies.**

In Progress – The State Government have committed \$2.5 million towards the Pembroke Park redevelopment plan subject to a funding partnership being agreed between Council and the Federal Government.

**Through SERDA members, advocate for the strategic investment in current MTB trail upgrades and associated service infrastructure with additional key MTB trail assets.**

In progress – SERDA continues to jointly advocate with the project proponent to State and Federal Ministers and their agencies including RDA Tasmania, and assist with the preparation of due diligence submissions and grant funding applications.

---

**1.7****TOURISM**

**Establish and leverage opportunities associated with proposed airport extension.**

In Progress – Continued engagement with Hobart Airports Corporation, Destination Southern Tasmania (through Destination Action Plan) and Office of Co-ordinator General in conjunction with agri-tourism proponents principally targeting international markets. Council have granted planning approval for a proposed \$14 million development at Iron Creek Bay.

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**1.8****TRANSPORT**

**Continue targeted engagement with Department of State Growth**

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**(Transport Division) to identify and address key transport corridor issues:**

- **Immediate Midway Point Tasman Highway intersection upgrade;**

In Progress – Concept designs under development. Project to be completed before 2022 as part of the State Government’s South East Traffic Solution.

- **Sorell eastern corridor bypass including Arthur Highway / Nugent Road junction and the development and setting of a transport threshold to determine an investment timeframe;**

In Progress – Environmental and heritage field surveys have commenced. Project to be completed before 2022 as part of the State Government’s South East Traffic Solution.

- **Arthur Highway overtaking lane requirements between Sorell and Forcett and between Copping and Dunalley;**

In Progress – Concept designs completed with landowner and community engagement to commence in the near future. Project to be completed before 2022 as part of the State Government’s South East Traffic Solution.

- **Replacement of Arthur Highway Sorell Rivulet bridge incorporating footpath access on both sides;**

In Progress – Design completed and works tendered by the Department of State Growth but received prices were too high. Department has now re-prioritised its current project list and works won’t be retendered until 2020/2021 at the earliest.

- **Nash Street / Tasman Highway junction;**

No Progress – Not identified by the Department of State Growth as a priority.

- **Advocate for the provision of Metro bus services to Midway Point, Sorell and Southern Beaches, through state consultation process;**

In Progress – New improved higher frequency service to commence in January 2019. New bus stops will be constructed to support the new routes as required.

- **Continue to upgrade bus stops in agreed locations through Southern Beaches in consultation with contracted operators;**

Completed – Locations agreed with operators. Operators have completed installing necessary signage in the Southern Beaches area.



- **Encourage the increased use of the Park & Ride Facility.**

In progress – use continuing with rollout of Metro 2018/2019 contract in January 2019 to add additional demand.

## **2.0 Identify, Scope and Attract New Industry and Businesses.**

### **2.1 Engage with relevant proponents / owners of key development sites to realise the benefits for the South East region regarding employment, retention and growth of commercial, social and educational activity and to reduce pressure on transport infrastructure pressures:**

- **Inghams Processing Plant**

Utilisation of vacant balance land in progress with ongoing discussions between site owners, Minister for Planning and State Growth.

- **Community Administration Centre surplus land**

State Government has committed to construct a \$12M emergency services hub in Sorell to house Police, Emergency Services and Fire personnel in this term of Government.

- **Residential growth corridor to the east of Sorell**

As per 20 Year Land Supply Strategy and proposed review of the Southern Tasmanian Regional Use Strategy.

- **Dunalley Cove Marina**

In conjunction with Department of State Growth a re-zoning application was submitted to the Tasmanian Planning Commission.

### **2.2 Continue to proactively assist and advocate for sustainable residential, commercial, agricultural, aquaculture and industrial development opportunities that reduce the employment 'spill' rate of 73% of Sorell residents leaving the municipal area to work.**

SERDA working in partnership with TCCI and TasCOSS submitted a successful Tasmania Community Fund grant application to support its South East Workforce Development Project.

### **2.3 Incorporate the 20 year residential, commercial and industrial land supply strategy recommendations into the LPP of the Statewide Planning Scheme.**

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In Progress – 20 Year Land Supply Strategy completed and subject to timing of single statewide planning scheme rollout and scope of active strategic rezonings able to be incorporated. To be determined by State Planning Policy Unit and Tasmanian Planning Commission.

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**3.0**

**Form Alliances between Public and Private Organisations to take Projects and Strategies Forward and Advocate Accordingly.**

**3.1**

**Strategically engage with targeted public and private organisations including Department of State Growth, Tasmanian Irrigation, Hobart Airport Corporation, Sport and Recreation Tasmania, Infrastructure Tasmania, Co-ordinator General, LGAT, STCA, DST, Department of Education and Health and Human Services.**

In progress – Continued regular and ongoing discussions with those stakeholders as required.

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**3.2**

**Advocate as a priority the formal review of the Southern Tasmania Regional Land Use Strategy through the Minister for Planning and Local Government to achieve a timely and decisive outcome.**

Council has continued to actively advocate with the Minister for Planning advising that there has been no progress in securing a commitment to the timing of the proposed review other than it is to commence in 2019, however, it is not known if requisite resources will be made available.

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**3.3**

**Continue to engage with communities to establish Sorell's preferred outcome in relation to voluntary amalgamation / common service modelling with Tasman, Clarence and Glamorgan Spring Bay Councils and ensure the following outcomes are achieved:**

- **Be in the best interests of ratepayers;**
- **Improve the service levels for communities;**
- **Preserve and maintain local representation; and**
- **Ensure that the financial status of the entities is strengthened.**

Both Councils have voted on the Local Government Boards recommendations and the voluntary amalgamation with Tasman Council will not be proceeding.

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**3.4**

**Continue to explore and implement local government common services and associated opportunities to maximise sustainable operational and financial efficiencies (including common software platforms) and profitability.**

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In Progress – Have continued to participate, in and explore shared service arrangements, with neighbouring Councils.

#### **4.0 Identify, Promote and Market Existing Local Businesses, Events and Places of Interest in the Municipal Area.**

##### **4.1 In partnership with Destination Southern Tasmania, explore opportunities for Sorell Municipality, as a part of the greater south-east region.**

In Progress – Continued involvement and advocacy with Destination Southern Tasmania Destination Action Plan implementation and review with Tasman Council.

---

##### **4.2 Engage with and assist operators in developing sustainable local events that utilise Council land and facilities ie: street markets.**

In Progress – Limited interest from existing market operators. To be further pursued in 2018/2019, potentially as public EOI process.

#### **5.0 Support and Encourage Community Participation and Engagement.**

##### **5.1 Support special committees, halls, community groups and sporting clubs with a focus on a strategic approach to their sustainable growth.**

Ongoing – Continue to work with and support these committees and groups to improve the utilisation and standard of facilities.

---

##### **5.2 Continue to explore opportunities to improve Council's communications and engagement, including:**

- **Full review of the website, including structure & content.**

In Progress – Review of website content is underway to ensure content is accurate and relevant.

- **Further development of the My Local Services App.**

In Progress – My Local Services App content continues to be developed and promoted.

- **Investigate moving to more email based correspondence with ratepayers.**

In Progress – Options for email-based correspondence investigated for further consideration.

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|            |  |
|------------|--|
| <b>5.3</b> | <b>Advocate for the provision of Government and non-government youth services within the municipal area, to operate from the Sorell Youth Centre.</b>  |
|            | In Progress – Ongoing liaison with various organisations and services continues. Colony 47 secured to operate from the Sorell Youth Centre for the immediate future.   |
| <b>5.4</b> | <b>Improve the utilisation and sustainability of Council Community Facilities in conjunction with the user groups and other stakeholders.</b>  |
|            | Ongoing – Utilization of Council’s sporting facilities (Pembroke Park, Dodges Ferry Oval and the PCYC Building) have all increased and the utilisation of Community Halls have remained relatively consistent with last financial year. Work continues with user groups and other stakeholders to ensure the facilities operate sustainably.         |
| <b>5.5</b> | <b>Finalise the concept and business case feasibility process of the Sorell Cultural Precinct.</b>   |
|            | Complete – Concept Plan and Business Case for the Sorell Community Culture Centre endorsed by Council.   |
| <b>6.0</b> | <b>Promote the Sorell Municipal Area as a Good Place to Live.</b>  |
| <b>6.1</b> | <b>Maintain and promote our parks, ensuring all equipment meets contemporary standards.</b>  |
|            | Installed a new combination piece of fitness equipment at Primrose Sands Park as well as a new barbecue facility. The Dodges Ferry Skate Park underwent a major upgrade and additional seating was also installed.   |
| <b>6.2</b> | <b>Promote the sustainable management of Sorell’s natural environment.</b>   |
|            | In Progress – Ongoing on-ground works carried out with Conservation Volunteers Australia and Landcare/Coastcare groups at Orielton Lagoon/Miena Park, Dodges Ferry Recreation Reserve and Lewisham Foreshore. Continue to work with Parks and Wildlife and Crown Land Services to sort land tenure and maintenance responsibility around coast line. |
| <b>7.0</b> | <b>Identify, Promote and Market the Potential Use of the Coast Line of the Municipal Area.</b>   |
| <b>7.1</b> | <b>Continue to partner with NRM South to house and support the local NRM resource and supplement with the Tasman Council NRM resource.</b>   |

NRM South were not successful in achieving any Federal funding post 30/6/2018. As a result NRM no longer support any NRM/Council facilitators in the South of the State. Council will finish any of the projects already underway but any joint future project funding with NRM South will cease.

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**7.2      Develop and prioritise a beach access and open space corridor maintenance and upgrade strategy and program (including key rehabilitation sites ie: Carlton Park Surf Life Saving Club foreshore/dune rectification works).**

In Progress – Continued to work with Crown Land Services to rationalise beach access ways and foreshore leases. Projects funded on a priority basis subject to Crown Land Services agreeing to ongoing lease arrangements. The foreshore/dune rehabilitation works at the Carlton Park Life Saving Club have been completed.

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**7.3      Continue communications and support an alliance with relevant stakeholders including Crown Land Services, Southern Beaches Landcare/Coastcare, Tasman, Pittwater and Orierton Landcare Groups, Carlton Park Surf Life Saving Club, Destination Southern Tasmania (tourism opportunities), Aboriginal Heritage Tasmania and the Parks and Wildlife Service.**

In Progress – as required and on an ongoing basis. Support and meeting attendance is based on a prioritised basis.

**8.0      Develop and Implement a Land Acquisition and Disposal Strategy.**

**8.1      Implement land disposal strategy focusing on prioritised disposal opportunities in the first instance for reinvestment in targeted capital programs.**

The majority of land sales (not requiring rezoning or the statutory Petition to Amend process) in the first tranche have been sold. The remaining properties in the first tranche are scheduled to be sold by the end of October 2018. The second tranche of land sales are dependent on Council running a Petition to Amend process, for each property, on their Public Open Space status/notation in accordance with the Local Government (Building and Miscellaneous Provisions) Act 1993.

**Undertake a review of Council Halls and Facilities incorporating a needs and cost / benefit analysis to establish an informed and evidenced based assessment for future consideration.**

In Progress – Management structures of community halls is being considered. Cost / Benefit analysis was undertaken for the Sorell Cultural Facility. A review of the future needs of sporting facilities to be more inclusive and accessible.

|            |  |
|------------|--|
| <b>9.0</b> | <b>Continue To Deliver Valued Core Service.</b>  |
| <b>9.1</b> | <p><b>Continue to undertake all regulatory and legislative requirements including a formal review of the Dog Management Plan.</b></p> <p>Formal review of Dog Management Plan largely completed. One location namely Blue Lagoon/Red Ochre Beach needs to be readvertised, early in 2018/2019, to seek community views before the plan can be finalised.</p>   |
| <b>9.2</b> | <p><b>Continue to develop our people, processes and systems including:</b></p> <ul style="list-style-type: none"> <li> <p><b>Focus on improving internal communication and culture.</b></p> <p>In Progress – Operational Plan developed to identify areas of priority and strategies for improving internal communication, culture and leadership opportunities.</p> </li> <li> <p><b>Continue to develop Middle Management &amp; Depot Leadership Teams, with a focus on stronger leadership and opportunities.</b></p> <p>In Progress – Operational Plan developed to identify areas of priority and strategies for improving internal communication, culture and leadership opportunities.</p> </li> <li> <p><b>Develop a comprehensive Training &amp; Development Plan.</b></p> <p>Complete – Training and Development Plan developed and implemented.</p> </li> <li> <p><b>Refinement of Customer Request Management.</b></p> <p>In Progress.</p> </li> <li> <p><b>Finalisation of the integration between the asset and finance systems.</b></p> <p>Completed - Integration between asset and finance systems completed.</p> </li> </ul> |
| <b>9.3</b> | <b>Continue to explore opportunities to improve our customer service including:</b>  |



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- **Implementation of Customer Service Strategy**

In Progress – Implementation of Customer Service Strategy commenced.

- **Increased focus on internal & external communication with the organization**

In Progress - Increased focus on internal and external communication within the organisation through Middle and Senior Management meetings and development of priorities and strategies in the operational plan.

- **Identify new technology and processes to improve our customer service experience.**

In Progress – Continue to review new technologies available and review processes to improve our customer service experience.

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Penna Road realignment and installation of footpath





Spectacle Head Whale Viewing Area

## FINANCIAL REPORT

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**Statement of Comprehensive Income  
for the Year Ended 30 June 2018**

|   | Note     | Budget<br>2018<br>\$'000 | Actual<br>2018<br>\$'000 | Actual<br>2017<br>\$'000 |
|---|----------|--------------------------|--------------------------|--------------------------|
| <b>Income from continuing operations</b>  |          |                          |                          |                          |
| <b>Recurrent income</b>   |          |                          |                          |                          |
| Rates and charges   | 2.1      | 13,031                   | 13,099                   | 12,079                   |
| Statutory fees and fines  | 2.2      | 329                      | 430                      | 350                      |
| User fees   | 2.3      | 382                      | 577                      | 527                      |
| Grants  | 2.4      | 1,091                    | 2,151                    | 3,419                    |
| Contributions - cash  | 2.5      | -                        | 146                      | 119                      |
| Interest  | 2.6      | 238                      | 235                      | 247                      |
| Other income  | 2.7      | 718                      | 746                      | 785                      |
| Investment revenue from water corporation   | 2.9, 4.2 | 485                      | 487                      | 498                      |
|   |          | <b>16,274</b>            | <b>17,871</b>            | <b>18,024</b>            |
| <b>Capital income</b>   |          |                          |                          |                          |
| Capital grants received specifically for new or upgraded assets                                   | 2.4      | 1,155                    | 1,622                    | 1,506                    |
| Contributions - non-monetary assets   | 2.5      | -                        | 2                        | 997                      |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment                      | 2.8      | -                        | (3,376)                  | 52                       |
| Share of net profits/(losses) of associates and joint ventures accounted for by the equity method | 4.1      | -                        | 178                      | 229                      |
|   |          | <b>1,155</b>             | <b>(1,574)</b>           | <b>2,784</b>             |
| <b>Total income from continuing operations</b>  |          | <b>17,429</b>            | <b>16,297</b>            | <b>20,808</b>            |
| <b>Expenses from continuing operations</b>  |          |                          |                          |                          |
| Employee benefits   | 3.1      | (5,690)                  | (5,516)                  | (5,427)                  |
| Materials and services  | 3.2      | (4,846)                  | (5,201)                  | (5,312)                  |
| Depreciation and amortisation   | 3.3      | (5,204)                  | (5,126)                  | (5,014)                  |
| Finance costs   | 3.4      | (146)                    | (145)                    | (157)                    |
| Other expenses  | 3.5      | (1,334)                  | (1,300)                  | (1,302)                  |
| <b>Total expenses from continuing operations</b>  |          | <b>(17,220)</b>          | <b>(17,288)</b>          | <b>(17,212)</b>          |
| <b>Result from continuing operations</b>  |          | <b>209</b>               | <b>(991)</b>             | <b>3,596</b>             |
| <b>Net result for the year</b>  |          | <b>209</b>               | <b>(991)</b>             | <b>3,596</b>             |
| <b>Other comprehensive income</b>   |          |                          |                          |                          |
| <b>Items that will not be reclassified to surplus or deficit</b>                                  |          |                          |                          |                          |
| Net asset revaluation increment/(decrement)   | 9.1      | -                        | 7,572                    | 13,338                   |
|   |          | -                        | <b>7,572</b>             | <b>13,338</b>            |
| <b>Items that may be reclassified subsequently to surplus or deficit</b>                          |          |                          |                          |                          |
| Financial assets available for sale reserve   |          |                          |                          |                          |
| — Fair Value adjustment on Available for Sale Assets  | 9.1      | -                        | 321                      | 161                      |
|   |          | -                        | <b>321</b>               | <b>161</b>               |
| <b>Total Other Comprehensive Income</b>   |          | <b>-</b>                 | <b>7,893</b>             | <b>13,499</b>            |
| <b>Total Comprehensive result</b>   |          | <b>209</b>               | <b>6,902</b>             | <b>17,095</b>            |

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

**Statement of Financial Position**  
**As at 30 June 2018**

|   | Note | 2018<br>\$'000 | 2017<br>\$'000 |
|---|------|----------------|----------------|
| <b>Assets</b>   |      |                |                |
| <b>Current assets</b>   |      |                |                |
| Cash and cash equivalents                                       | 5.1  | 7,866          | 6,661          |
| Trade and other receivables                                     | 5.2  | 476            | 512            |
| Inventories   | 5.3  | 58             | 112            |
| Other assets  | 5.4  | 118            | 103            |
| <b>Total current assets</b>                                     |      | <b>8,518</b>   | <b>7,388</b>   |
| <b>Non-current assets</b>                                       |      |                |                |
| Trade and other receivables                                     | 5.2  | 48             | 55             |
| Investments in associates accounted for using the equity method | 4.1  | 1,395          | 1,217          |
| Investment in water corporation                                 | 4.2  | 25,048         | 24,727         |
| Property, plant and equipment and infrastructure                | 6.1  | 237,312        | 232,104        |
| Investment property   | 6.3  | 297            | 297            |
| Other assets  | 6.4  | 330            | 338            |
| <b>Total non-current assets</b>                                 |      | <b>264,430</b> | <b>258,738</b> |
| <b>Total assets</b>   |      | <b>272,948</b> | <b>266,126</b> |
| <b>Liabilities</b>  |      |                |                |
| <b>Current liabilities</b>                                      |      |                |                |
| Trade and other payables  | 7.1  | 600            | 811            |
| Trust funds and deposits  | 7.2  | 659            | 448            |
| Provisions  | 7.3  | 1,004          | 974            |
| Interest-bearing loans and borrowings                           | 8.1  | 187            | 175            |
| <b>Total current liabilities</b>                                |      | <b>2,450</b>   | <b>2,408</b>   |
| <b>Non-current liabilities</b>                                  |      |                |                |
| Provisions  | 7.3  | 228            | 169            |
| Interest-bearing loans and borrowings                           | 8.1  | 2,080          | 2,267          |
| Other   | 7.1  | 23             | 17             |
| <b>Total non-current liabilities</b>                            |      | <b>2,331</b>   | <b>2,453</b>   |
| <b>Total liabilities</b>  |      | <b>4,781</b>   | <b>4,861</b>   |
| <b>Net Assets</b>   |      | <b>268,167</b> | <b>261,265</b> |
| <b>Equity</b>   |      |                |                |
| Accumulated surplus   |      | 89,007         | 89,998         |
| Reserves  | 9.1  | 179,160        | 171,267        |
| <b>Total Equity</b>   |      | <b>268,167</b> | <b>261,265</b> |

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



**Statement of Cash Flows  
for the Year Ended 30 June 2018**

|   | Note | 2018<br>Inflows/<br>(Outflows)<br>\$'000 | 2017<br>Inflows/<br>(Outflows)<br>\$'000 |
|---|------|--|--|
| <b>Cash flows from operating activities</b>                         |      |  |  |
| Rates   |      | 13,161                                   | 12,144                                   |
| Statutory fees and fines  |      | 428                                      | 345                                      |
| User charges and other fines (inclusive of GST)                     |      | 584                                      | 528                                      |
| Grants (inclusive of GST)   |      | 2,160                                    | 3,455                                    |
| Developer contributions (inclusive of GST)                          |      | 146                                      | 120                                      |
| Interest  |      | 233                                      | 243                                      |
| Investment revenue from water corporation                           |      | 486                                      | 486                                      |
| Other receipts (inclusive of GST)                                   |      | 977                                      | 1,072                                    |
| Net GST refund/payment  |      | 1,117                                    | 1,048                                    |
| Payments to suppliers (inclusive of GST)                            |      | (7,753)                                  | (8,005)                                  |
| Payments to employees (including redundancies)                      |      | (5,326)                                  | (5,338)                                  |
| Finance costs   |      | (147)                                    | (158)                                    |
| <b>Net cash provided by (used in) operating activities</b>          | 9.2  | <b><u>6,066</u></b>                      | <b><u>5,940</u></b>                      |
| <b>Cash flows from investing activities</b>                         |      |  |  |
| Payments for property, infrastructure, plant and equipment          |      | (6,734)                                  | (8,368)                                  |
| Proceeds from sale of property, infrastructure, plant and equipment |      | 426                                      | 1,066                                    |
| Capital grants (inclusive of GST)                                   |      | 1,622                                    | 1,506                                    |
| <b>Net cash provided by (used in) investing activities</b>          |      | <b><u>(4,686)</u></b>                    | <b><u>(5,796)</u></b>                    |
| <b>Cash flows from financing activities</b>                         |      |  |  |
| Proceeds from interest bearing loans and borrowings                 |      | -  | -  |
| Repayment of interest bearing loans and borrowings                  |      | (175)                                    | (163)                                    |
| <b>Net cash provided by (used in) financing activities</b>          | 9.3  | <b><u>(175)</u></b>                      | <b><u>(163)</u></b>                      |
| Net increase (decrease) in cash and cash equivalents                |      | 1,205                                    | (19)                                     |
| Cash and cash equivalents at the beginning of the financial year    |      | 6,661                                    | 6,680                                    |
| <b>Cash and cash equivalents at the end of the financial year</b>   | 9.4  | <b><u>7,866</u></b>                      | <b><u>6,661</u></b>                      |
| Restrictions on cash assets   | 5.1  |  |  |

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

**Statement of Changes in Equity  
for the Year Ended 30 June 2018**

|  | Note | Total<br>2018<br>\$'000 | Accumulated<br>Surplus<br>2018<br>\$'000 | Asset<br>Revaluation<br>Reserve<br>2018<br>\$'000 | Fair<br>Value<br>Reserve<br>2018<br>\$'000 | Other<br>Reserves<br>2018<br>\$'000 |
|--|------|-------------------------|--|---|--|-------------------------------------|
| <b>2018</b>  |      |                         |  |   |  |                                     |
| Balance at beginning of the financial year           |      | 261,265                 | 89,998                                   | 174,797   | (4,580)                                    | 1,050                               |
| Surplus / (deficit) for the year                     |      | (991)                   | (991)                                    | -   | -  | -                                   |
| Other Comprehensive income:                          |      |                         |  |   |  |                                     |
| Financial assets available for sale reserve          |      |                         |  |   |  |                                     |
| — Fair Value adjustment on Available for Sale Assets | 4.2  | 321                     | -  | -   | 321  | -                                   |
| Net asset revaluation increment/(decrement)          | 9.1  | 7,572                   | -  | 7,572   | -  | -                                   |
| <b>Balance at end of the financial year</b>          |      | <b>268,166</b>          | <b>89,007</b>                            | <b>182,369</b>                                    | <b>(4,259)</b>                             | <b>1,050</b>                        |
|  |      |                         |  |   |  |                                     |
|  |      | Total<br>2017<br>\$'000 | Accumulated<br>Surplus<br>2017<br>\$'000 | Asset<br>Revaluation<br>Reserve<br>2017<br>\$'000 | Fair<br>Value<br>Reserve<br>2017<br>\$'000 | Other<br>Reserves<br>2017<br>\$'000 |
| <b>2017</b>  |      |                         |  |   |  |                                     |
| Balance at beginning of the financial year           |      | 243,357                 | 85,588                                   | 161,460   | (4,741)                                    | 1,050                               |
| Adjustment for prior period error                    |      | 814                     | 814                                      | -   | -  | -                                   |
|  |      | -                       |  |   |  |                                     |
| Surplus / (deficit) for the year                     |      | 3,596                   | 3,596                                    | -   | -  | -                                   |
| Financial assets available for sale reserve          |      |                         |  |   |  |                                     |
| — Fair Value adjustment on Available for Sale Assets | 4.2  | 161                     | -  | -   | 161  | -                                   |
| Net asset revaluation increment/(decrement)          | 9.1  | 13,337                  | -  | 13,337  | -  | -                                   |
| <b>Balance at end of the financial year</b>          |      | <b>261,265</b>          | <b>89,998</b>                            | <b>174,797</b>                                    | <b>(4,580)</b>                             | <b>1,050</b>                        |

The above statement should be read with the accompanying notes.

## Note 1 Overview

### 1.1 Reporting entity

- (a) Sorell Council was established in 1882 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 47 Cole Street, Sorell, Tasmania.
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
  - to represent and promote the interests of the community;
  - provide for the peace, order and good government in the municipality.

### 1.2 Basis of accounting

These financial statements are a general purpose financial report that consists of a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Local Government Act 1993 (LGA1993) (as amended)*. Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

This financial report has been prepared on the accrual and going concern basis.

All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 4.2, 6.1, 6.3, 7.3 and 10.3(d).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 10.

### 1.3 Use of judgements and estimates

#### *Judgements and Assumptions*

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the financial report are disclosed in the relevant notes as follows:

#### *Employee entitlements*

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 7.3.

#### *Defined benefit superannuation fund obligations*

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 9.5.

#### *Fair value of property, plant & equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in note 6.1.

#### *Investment in water corporation*

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 4.2.

**Notes to the Financial Report  
for the Year Ended 30 June 2018**

**1.4 Functions/Activities of the Council**

**(a) Revenue, expenditure and assets attributable to each function as categorised in (c) below:**

|                               | Grants       | Other         | Total<br>Revenue | Total<br>Expenditure | Surplus/<br>(Deficit) | Assets         |
|-------------------------------|--------------|---------------|------------------|----------------------|-----------------------|----------------|
| Government and administration |              |               |                  |                      |                       |                |
| 2017 - 2018                   | 1,313        | 9,484         | 10,797           | 6,486                | 4,311                 | 70,334         |
| 2016 - 2017                   | 1,964        | 12,687        | 14,651           | 5,828                | 8,823                 | 70,247         |
| Roads, streets and bridges    |              |               |                  |                      |                       |                |
| 2017 - 2018                   | 2,458        | 141           | 2,599            | 7,206                | (4,607)               | 153,555        |
| 2016 - 2017                   | 2,730        | 80            | 2,810            | 7,445                | (4,635)               | 152,550        |
| Drainage                      |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | -             | -                | -                    | -                     | 34,296         |
| 2016 - 2017                   | -            | -             | -                | -                    | -                     | 36,082         |
| Waste management              |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | 2,151         | 2,151            | 1,421                | 730                   | 1,252          |
| 2016 - 2017                   | -            | 2,040         | 2,040            | 1,301                | 739                   | 1,304          |
| Environmental health          |              |               |                  |                      |                       |                |
| 2017 - 2018                   | 2            | 169           | 171              | 431                  | (260)                 | -              |
| 2016 - 2017                   | 2            | 280           | 282              | 505                  | (223)                 | -              |
| Planning services             |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | 386           | 386              | 432                  | (46)                  | -              |
| 2016 - 2017                   | 1            | 265           | 266              | 482                  | (216)                 | -              |
| Building control              |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | 101           | 101              | 146                  | (45)                  | -              |
| 2016 - 2017                   | -            | 283           | 283              | 241                  | 42                    | -              |
| Community amenities           |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | 92            | 92               | 1,166                | (1,074)               | 13,511         |
| 2016 - 2017                   | 10           | 159           | 169              | 1,141                | (972)                 | 5,943          |
| Community services            |              |               |                  |                      |                       |                |
| 2017 - 2018                   | -            | -             | -                | -                    | -                     | -              |
| 2016 - 2017                   | 195          | 112           | 307              | 269                  | 38                    | -              |
| <b>Total</b>                  |              |               |                  |                      |                       |                |
| <b>2017 - 2018</b>            | <b>3,773</b> | <b>12,524</b> | <b>16,297</b>    | <b>17,288</b>        | <b>(992)</b>          | <b>272,948</b> |
| <b>2016 - 2017</b>            | <b>4,902</b> | <b>15,906</b> | <b>20,808</b>    | <b>17,212</b>        | <b>3,596</b>          | <b>266,126</b> |



#### 1.4 Functions/Activities of the Council (cont.)

**(b) Reconciliation of Assets above with the Statement of Financial Position at 30 June:**

|                    | 2018           | 2017           |
|--------------------|----------------|----------------|
| Current assets     | 8,518          | 7,388          |
| Non-current assets | 264,430        | 258,738        |
|                    | <b>272,948</b> | <b>266,126</b> |

**(c) Governance and administration**

Operation and maintenance of council chambers, administration offices, and Councillors.

*Roads, streets and bridges*

Construction, maintenance and cleaning of road, streets, footpaths, bridges, parking facilities and street lighting.

*Drainage*

Operation and maintenance of open or deep drainage systems in urban areas, including the lining of piping of creeks but excludes drainage associated with road works, flood mitigation and agriculture.

*Waste Management*

Collection, handling, processing and disposal of all waste materials.

*Environmental Health/Environmental Management*

Environmental Health includes disease control, food surveillance, public-use building standards, health education and promotion, water quality, workplace safety and cemeteries.

Environmental management includes strategies and programs for the protection of the environment and regulations of activities affecting the environment.

*Planning Services*

Administration of the town planning scheme, subdivisions and urban and rural renewal programs.

*Building control*

The development and maintenance of building constructions standards.

*Community amenities*

Operation and maintenance of housing for aged persons and persons of limited means, Civic Centre, Council halls (excluding indoor sports complexes).

*Community services*

Administration and operation of dog registration, operation of pounds, control of straying stock, and noxious weeds. Operation of the Child Care Centre, operation and support of the performing arts, museum and the presentation of festivals. Community Development which provides for the implementation of a process by which strategies and plans can be developed so that the Council can fulfil their general responsibility for enhancing the quality of life of the whole community.

|                 |                          |               |               |
|-----------------|--------------------------|---------------|---------------|
| <b>Note 2.1</b> | <b>Revenue</b>           | <b>2018</b>   | <b>2017</b>   |
| <b>Note 2.1</b> | <b>Rates and charges</b> | <b>\$'000</b> | <b>\$'000</b> |

Council uses Adjusted Capital Value as the basis of valuation of all properties within the municipality. The Adjusted Capital Value of a property is its Capital Value with an adjustment factor set for periods between revaluations, as determined by the Valuer General.

The valuation base used to calculate general rates for 2017-18 was \$2,733 million (2016-17 \$2,406 million). The 2017-18 general rate is a two tiered rating system with 37% (2016-17 41%) of the general rate generated by a fixed rate of \$451.13 (2016-17 \$451.13), and the remaining by a rate of \$0.002 (2016-17 \$0.002) of the ACV, varied based on land use.

|                                |               |               |
|--------------------------------|---------------|---------------|
| Rates Revenue                  | 11,445        | 10,343        |
| Fire Levy                      | 449           | 439           |
| Garbage charge                 | 2,087         | 1,976         |
| Less: Remissions               | (882)         | (679)         |
| <b>Total rates and charges</b> | <b>13,099</b> | <b>12,079</b> |

The date of the latest general revaluation of land for rating purposes within the municipality was 28 March 2017, and the valuation will be first applied in the rating year commencing 1 July 2017.

#### Accounting policy

##### Rates and charges income

Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over assets acquired from rates 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.

#### Note 2.2 Statutory fees and fines

|                                       |            |            |
|---------------------------------------|------------|------------|
| Infringements and costs               | 18         | 17         |
| Town planning fees                    | 240        | 171        |
| Land information certificates         | 169        | 158        |
| Permits                               | 3          | 4          |
| <b>Total Statutory fees and fines</b> | <b>430</b> | <b>350</b> |

#### Accounting policy

##### Statutory fee and fine income

Fees and fines (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.

#### Note 2.3 User fees

|                                     |            |            |
|-------------------------------------|------------|------------|
| Animal Registrations                | 89         | 98         |
| Building services                   | 89         | 64         |
| Caravan Licenses                    | 17         | 14         |
| Child care                          | -          | 112        |
| Fire abatement                      | 32         | (1)        |
| Health                              | 27         | 30         |
| Recreational vehicles               | 10         | 8          |
| Kennel licences                     | 2          | 1          |
| Plumbing application and inspection | 252        | 199        |
| Other fees and charges              | 59         | 2          |
| <b>Total user fees</b>              | <b>577</b> | <b>527</b> |

#### Accounting policy

##### User fee income

Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs.

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Note 2.4 Grants</b>   |                |                |
| Grants were received in respect of the following:  |                |                |
| <b>Summary of grants</b>   |                |                |
| Federally funded grants  | 2,644          | 4,221          |
| State funded grants  | 1,112          | 703            |
| Others   | 16             | 0              |
| <b>Total</b>   | <b>3,772</b>   | <b>4,924</b>   |
| <b>Grants - Recurrent</b>  |                |                |
| Commonwealth Government Financial Assistance Grants - General Purpose  | 1,123          | 1,679          |
| Commonwealth Government Financial Assistance Grants - Roads  | 947            | 1,493          |
| Commonwealth Government - sustainability children  | -              | 22             |
| Commonwealth Government - childcare benefit  | -              | 173            |
| Commonwealth Government - health   | 2              | 3              |
| State Government - Transport   | 45             | 14             |
| State Government - Other   | 34             | 35             |
| <b>Total recurrent grants</b>  | <b>2,151</b>   | <b>3,419</b>   |
| The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2017-18 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 <i>Contributions</i> , Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2017-18 by \$1.07m. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2017-18 by the same amount. |                |                |
| <b>Capital grants received specifically for new or upgraded assets</b>   |                |                |
| Commonwealth Government - roads to recovery  | 571            | 700            |
| State Government - culture, sport and recreation   | 166            | 170            |
| State Government - bridges   | 585            | 575            |
| Other  | 300            | 61             |
| <b>Total capital grants</b>  | <b>1,622</b>   | <b>1,506</b>   |
| <b>Conditions on grants</b>  |                |                |
| Non-reciprocal grants which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:   |                |                |
| Unexpended at the close of the previous reporting period   | 22             | 288            |
| Less: expended during the current period from revenues recognised in previous reporting periods  |                |                |
| Community facility   | (22)           | (288)          |
| Total expended during current period   | (22)           | (288)          |
| Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions   |                |                |
| Community facility   |                | 22             |
|  | -              | 22             |
| <b>Unexpended at the close of this reporting period</b>  | <b>-</b>       | <b>22</b>      |
| Net increase / (decrease) in non-reciprocal grant revenues for the year:   | (22)           | (266)          |

#### Accounting policy

##### Grant income - operating and capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants 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 is also disclosed. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council does not currently have any reciprocal grants.

Unreceived contributions over which Council has control are recognised as receivables.

|                                     | 2018<br>\$'000 | 2017<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>Note 2.5 Contributions</b>       |                |                |
| <b>(a) Cash</b>                     |                |                |
| Parks, open spaces and streetscapes | 140            | 61             |
| Other                               | 6              | 58             |
| <b>Total</b>                        | <b>146</b>     | <b>119</b>     |
| <b>(b) Non-monetary assets</b>      |                |                |
| Land under roads                    | 2              | 91             |
| Roads                               | -              | 585            |
| Kerb and channel                    | -              | 73             |
| Footpaths and cycleways             | -              | 53             |
| Stormwater                          | -              | 195            |
| <b>Total</b>                        | <b>2</b>       | <b>997</b>     |
| <b>Total contributions</b>          | <b>148</b>     | <b>1,116</b>   |

#### Accounting policy

##### Contribution income

Contributions are recognised as revenue when Council obtains control over the assets comprising the receipt.

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Non-monetary contributions (including developer contributions) with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets.

Unreceived contributions over which Council has control are recognised as receivables.

|                                       |            |            |
|---------------------------------------|------------|------------|
| <b>Note 2.6 Interest</b>              |            |            |
| Interest on rates                     | 113        | 111        |
| Interest on cash and cash equivalents | 122        | 136        |
| <b>Total</b>                          | <b>235</b> | <b>247</b> |

#### Accounting policy

##### Interest income

Interest is recognized progressively as it is earned.



|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Note 2.7 Other income</b>                     |               |               |
| Investment property rental                       | 68            | 81            |
| Copping Refuse land rental                       | 64            | 64            |
| Leased properties rental income                  | 27            | 10            |
| Donations received                               | 7             | 21            |
| Diesel fuel rebate                               | 16            | 11            |
| Distribution from Liquidators - Lehmann Brothers | -             | 9             |
| Workers compensation reimbursements              | 19            | 86            |
| External labour hire recoveries                  | 405           | 324           |
| Other  | 140           | 179           |
| <b>Total other income</b>                        | <b>746</b>    | <b>785</b>    |

#### Accounting policy

##### Rental income

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

##### Donations Received

Donations are recognised as revenue when the payment is received.

##### Operating leases as lessor

Council is a lessor and enters into agreements with a number of lessees. These include commercial and non-commercial agreements.

Where leases are non-commercial agreements, these are generally with not for profit, such as sporting, organisations. In these cases subsidised or peppercorn rents are charged because Council recognises part of its role is community service and community support. In these situations, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

#### **Note 2.8 Net gain/(loss) on disposal of property, plant and equipment and infrastructure**

|                                     |                |           |
|-------------------------------------|----------------|-----------|
| Proceeds of sale                    | 426            | 189       |
| Write down value of assets disposed | (3,802)        | (137)     |
| <b>Total</b>                        | <b>(3,376)</b> | <b>52</b> |

#### Accounting policy

##### Gains and losses on asset disposals

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

#### **Note 2.9 Investment revenue from water corporation**

|  |            |            |
|--|------------|------------|
| Dividend revenue received                              | 300        | 315        |
| Tax equivalent received                                | 143        | 138        |
| Guarantee fee received                                 | 44         | 45         |
| <b>Total investment revenue from water corporation</b> | <b>487</b> | <b>498</b> |

#### Accounting policy

##### Investment revenue

Dividend revenue is recognised when Council's right to receive payment is established.

**Notes to the Financial Report  
for the Year Ended 30 June 2018**

|                                     | <b>2018</b>         | <b>2017</b>         |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Note 3 Expenses</b>              |                     |                     |
| <b>Note 3.1 Employee benefits</b>   |                     |                     |
| Wages and salaries                  | 4,061               | 4,003               |
| Workers compensation                | 244                 | 198                 |
| Annual leave and long service leave | 472                 | 511                 |
| Superannuation                      | 596                 | 588                 |
| Fringe benefits tax                 | 40                  | 48                  |
| Payroll Tax                         | 243                 | 233                 |
| Employee associated costs           | 93                  | 87                  |
|                                     | <u>5,749</u>        | <u>5,668</u>        |
| Less amounts capitalised            | (233)               | (241)               |
| <b>Total employee benefits</b>      | <u><b>5,516</b></u> | <u><b>5,427</b></u> |

**Accounting policy**

**Employee benefits**

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Note 3.2 Materials and services</b> |                     |                     |
| Computers and associated costs         | 176                 | 216                 |
| Consultants                            | 272                 | 317                 |
| Contracts                              | 151                 | 143                 |
| Legal                                  | 69                  | 70                  |
| Maintenance                            | 1,887               | 2,232               |
| Materials                              | 1                   | 196                 |
| Operating capital                      | 676                 | 248                 |
| Utilities                              | 382                 | 359                 |
| Valuation costs                        | 43                  | 42                  |
| Waste                                  | 1,338               | 1,261               |
| Other                                  | 206                 | 228                 |
| <b>Total materials and services</b>    | <u><b>5,201</b></u> | <u><b>5,312</b></u> |

**Accounting policy**

**Materials and services expense**

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Note 3.3 Depreciation and amortisation</b> |                |                |
| <i>Property</i>                               |                |                |
| Land improvements                             | 391            | 296            |
| Buildings                                     |                |                |
| Buildings (including marine structures)       | 592            | 564            |
| Leasehold improvements                        | 7              | 25             |
| <i>Plant and Equipment</i>                    |                |                |
| Plant, machinery and equipment                | 409            | 350            |
| Fixtures, fittings and furniture              | 154            | 155            |
| Computers and telecommunications              | 123            | 126            |
| <i>Infrastructure</i>                         |                |                |
| Roads   | 2,476          | 2,595          |
| Bridges                                       | 182            | 166            |
| Footpaths and cycleways                       | 143            | 128            |
| Waste   | 59             | 78             |
| Stormwater                                    | 488            | 479            |
| Parks, open space and streetscapes            | 52             | 52             |
| <i>Intangible assets</i>                      |                |                |
| Intangible assets                             | 50             | -              |
| <b>Total</b>                                  | <b>5,126</b>   | <b>5,014</b>   |

#### Accounting policy

##### Depreciation and amortisation expense

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and remaining values and a separate depreciation rate is determined for each component.

Land and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

|                                       | Period          |
|---------------------------------------|-----------------|
| Land improvements                     | 10-50 years     |
| Buildings                             |                 |
| buildings                             | 30-100 years    |
| building improvements                 | 15-100 years    |
| Leasehold improvements                |                 |
| leasehold building improvements       | 15-30 years     |
| Plant and Equipment                   |                 |
| plant, machinery and equipment        | 3-15 years      |
| fixtures, fittings and furniture      | 3-30 years      |
| computers and telecommunications      | 3-10 years      |
| Roads                                 |                 |
| road pavements and seals              | 5-20 years      |
| road base                             | 60 years        |
| road substructure                     | 240 years       |
| road formation and earthworks         | non-depreciable |
| road kerb, channel and minor culverts | 60 years        |

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Accounting policy (cont.)</b>  |                |                |
| <b>Depreciation and amortisation expense (cont.)</b>  |                |                |
| Bridges   |                |                |
| bridges deck  |                | 20-80 years    |
| bridges substructure  |                | 20-80 years    |
| Other Infrastructure  |                |                |
| footpaths and cycleways   |                | 10-50 years    |
| drainage  |                | 40-100 years   |
| waste management  |                | 10-50 years    |
| parks, open space and streetscapes  |                | 15-30 years    |
| off street car parks  |                | 15-30 years    |
| Intangible assets   |                |                |
| intangible assets   |                | 5 years        |
| As part of the desktop revaluation of road infrastructure assets, the useful lives of road pavements have been amended from 15-30 years to 5-20 years and road substructure has been amended from 100 years to 240 years. As unit rates were also reviewed and changed the financial result of this amendment is not considered material. |                |                |

**Note 3.4 Finance costs**

|   |            |            |
|---|------------|------------|
| Interest - Borrowings                                 | 145        | 157        |
| <b>Total</b>  | <b>145</b> | <b>157</b> |
| Less capitalised borrowing costs on qualifying assets | -          | -          |
| <b>Total finance costs</b>                            | <b>145</b> | <b>157</b> |

**Accounting policy**

**Finance expense**

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period, (\$0).

Borrowing costs include interest on bank overdrafts, interest on borrowings, unwinding of discounts and finance lease charges.

**Note 3.5 Other expenses**

|  |              |              |
|--|--------------|--------------|
| External auditors' remuneration (Tasmanian Audit Office) | 29           | 32           |
| Internal auditors' remuneration (Audit Panel Members)    | 7            | 7            |
| Councillors' allowances                                  | 188          | 182          |
| Bad debts  | -            | 11           |
| Children services expenses                               | -            | 14           |
| Collection costs   | 22           | 22           |
| Community development                                    | 8            | 10           |
| Donations section 77                                     | 36           | 38           |
| Government fire contributions                            | 439          | 421          |
| Insurance  | 204          | 200          |
| Land Tax   | 70           | 64           |
| Operating Leases   | 21           | 19           |
| Other  | 276          | 282          |
| <b>Total other expenses</b>                              | <b>1,300</b> | <b>1,302</b> |



2018  
\$'000

2017  
\$'000

#### Accounting policy

##### Other expenses

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

#### Note 4 Investments

##### Note 4.1 Investment in associates

The Copping Refuse Disposal Site Joint Authority (Trading as Southern Waste Solutions) was established under section 30 of the Local Government Act 1993 by the Sorell Council, Clarence City Council and Tasman Council. Kingborough Council joined the authority in 2009. The Copping Refuse Disposal Site Joint Authority's function is to promote and manage a putrescible landfill disposal site which conforms to its Development Proposal and Environmental Management Plan (DP&EMP) and permit conditions.

Investments in associates accounted for by the equity method are:

|                                    |              |              |
|------------------------------------|--------------|--------------|
| - Waste - Southern Waste Solutions | 1,395        | 1,217        |
| <b>Total</b>                       | <b>1,395</b> | <b>1,217</b> |

##### Background

Sorell Council in financial year ending 30 June 2009 maintained an ownership interest of 30%, however as a result of the buyout of equity from Kingborough Council in July 2009, Council now maintains an ownership interest of 24%.

##### Council's share of accumulated surplus / (deficit)

|   |            |            |
|---|------------|------------|
| Council's share of accumulated surplus / (deficit) at start of year | 865        | 697        |
| Reported surplus / (deficit) for year                               | 134        | 168        |
| Council's share of accumulated surplus / (deficit) at end of year   | <b>999</b> | <b>865</b> |

##### Council's share of reserves

|  |            |            |
|--|------------|------------|
| Council's share of reserves at start of year | 150        | 150        |
| Transfers (to) / from reserves               | -          | -          |
| Council's share of reserves at end of year   | <b>150</b> | <b>150</b> |

##### Movement in carrying value of specific investment

|   |              |              |
|---|--------------|--------------|
| Carrying value of investment at start of year | 1,217        | 988          |
| Share of surplus / (deficit) for year         | 134          | 168          |
| Share of asset revaluation                    | 44           | 61           |
| Carrying value of investment at end of year   | <b>1,395</b> | <b>1,217</b> |

#### Accounting policy

##### Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entities. Council's share of the financial result of the entities is recognised in the Statement of Comprehensive Income.

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Note 4.2 Investment in water corporation</b>     |               |               |
| Opening Balance                                     | 24,727        | 24,566        |
| Fair Value adjustments on Available-for-Sale Assets | 321           | 161           |
| <b>Total investment in water corporation</b>        | <b>25,048</b> | <b>24,727</b> |

Council has derived returns from the water corporation as disclosed at note 2.9.

A state-wide water and sewerage corporation trading as TasWater commenced on 1 July 2013 in accordance with the Water and Sewerage Corporation Act 2012. TasWater took over the water and sewerage services and assets previously operated by Ben Lomond Water, Cradle Mountain Water and Southern Water.

#### Accounting policy

##### Investment assets

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2018, Council continues to hold a 1.56% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to an Available-for-sale Fair value reserve each year (refer note 9.9).

Council has classified this asset as an Available-for-sale financial asset as defined in AASB 139 *Financial Instruments: Recognition and Measurement* and has followed AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* to value and present the asset in the financial report. Council's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets

On 1 May 2018 TasWater and the State Government announced a memorandum of understanding under which the State Government will inject

\$20 million per year for the next ten years into TasWater and in return will become a shareholder of TasWater. As a shareholder the State Government will not receive any dividend distributions. The partnership provides for a reduction in forecast price increases, accelerated infrastructure upgrades and a joint focus on major projects. As at the date of these financial statements, the owner councils and the State Government were working together on the nature of the future reforms.

#### **Note 5 Current Assets**

##### **Note 5.1 Cash and cash equivalents**

|  |              |              |
|--|--------------|--------------|
| Cash on hand                           | 2            | 2            |
| Cash at bank                           | 918          | 369          |
| Term deposits                          | 6,946        | 6,291        |
| <b>Total cash and cash equivalents</b> | <b>7,866</b> | <b>6,661</b> |

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

|                                       |       |       |
|---------------------------------------|-------|-------|
| - Trust funds and deposits (note 7.2) | 659   | 448   |
| - Conditions on grants (note 2.4)     | -     | 22    |
| - Leave Provisions (note 7.3)         | 1,232 | 1,143 |

##### **Restricted funds**

##### **Total unrestricted cash and cash equivalents**

|              |              |
|--------------|--------------|
| <b>1,891</b> | <b>1,614</b> |
| <b>5,975</b> | <b>5,048</b> |

The restrictions on the funds above are detailed in the respective notes.

#### Accounting policy

##### Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Note 5.2 Trade and other receivables</b> |                |                |
| <b>Current</b>                              |                |                |
| Rates debtors                               | 95             | 157            |
| Other debtors                               | 210            | 163            |
| Midway Point Improvement Act debtors        | 1              | 1              |
| Net GST receivable                          | 170            | 191            |
| <b>Total</b>                                | <b>476</b>     | <b>512</b>     |
| <b>Non-current</b>                          |                |                |
| Midway Point Improvement Act debtors        | 36             | 37             |
| Long term recoverable property debt         | 12             | 18             |
| <b>Total</b>                                | <b>48</b>      | <b>55</b>      |
| <b>Total trade and other receivables</b>    | <b>524</b>     | <b>567</b>     |

#### Accounting policy

##### Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

|                                   |           |            |
|-----------------------------------|-----------|------------|
| <b>Note 5.3 Inventories</b>       |           |            |
| Inventories held for distribution | 58        | 112        |
| <b>Total inventories</b>          | <b>58</b> | <b>112</b> |

#### Accounting policy

##### Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

|                              |            |            |
|------------------------------|------------|------------|
| <b>Note 5.4 Other assets</b> |            |            |
| <b>Current</b>               |            |            |
| Prepayments                  | 58         | 58         |
| Accrued income               | 60         | 45         |
| <b>Total</b>                 | <b>118</b> | <b>103</b> |

**Note 6 Non-Current Assets**

**Note 6.1 Property, plant and equipment and infrastructure**

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Summary</b>                          |                |                |
| at cost                                 | 24,230         | 28,170         |
| Less accumulated depreciation           | (4,869)        | (4,582)        |
|   | <b>19,361</b>  | <b>23,588</b>  |
| at fair value as at 30 June 2018        | 317,110        | 312,869        |
| Less accumulated depreciation           | (99,159)       | (104,353)      |
|   | <b>217,951</b> | <b>208,516</b> |
| <b>Total</b>                            | <b>237,312</b> | <b>232,104</b> |
| <b>Property</b>                         |                |                |
| <b>Land</b>                             |                |                |
| at cost                                 | 378            | 609            |
| at fair value as at 30 June 2018        | 10,675         | 10,675         |
|   | <b>11,053</b>  | <b>11,284</b>  |
| <b>Land under roads</b>                 |                |                |
| at cost                                 | 91             | 91             |
| at fair value as at 30 June 2018        | 15,385         | 15,408         |
|   | <b>15,476</b>  | <b>15,499</b>  |
| <b>Land improvements</b>                |                |                |
| at cost                                 | 294            | 3,179          |
| at fair value as at 30 June 2018        | 19,460         | 5,201          |
| Less accumulated depreciation           | (7,677)        | (1,214)        |
|   | <b>12,077</b>  | <b>7,166</b>   |
| <b>Total Land</b>                       | <b>38,606</b>  | <b>33,949</b>  |
| <b>Buildings</b>                        |                |                |
| at cost                                 | 1,143          | 1,143          |
| at fair value as at 30 June 2018        | 22,869         | 21,966         |
| Less accumulated depreciation           | (4,546)        | (3,785)        |
|   | <b>19,466</b>  | <b>19,324</b>  |
| <b>Leasehold improvements</b>           |                |                |
| at fair value as at 30 June 2018        | 223            | 545            |
| Less accumulated amortisation           | (78)           | (190)          |
|   | <b>145</b>     | <b>355</b>     |
| <b>Total Buildings</b>                  | <b>19,611</b>  | <b>19,679</b>  |
| <b>Total Property</b>                   | <b>58,217</b>  | <b>53,628</b>  |
| <b>Plant and Equipment</b>              |                |                |
| <b>Plant, machinery and equipment</b>   |                |                |
| at cost                                 | 3,916          | 3,788          |
| Less accumulated depreciation           | (1,682)        | (1,667)        |
|   | <b>2,234</b>   | <b>2,121</b>   |
| <b>Fixtures, fittings and furniture</b> |                |                |
| at cost                                 | 2,176          | 2,197          |
| Less accumulated depreciation           | (995)          | (846)          |
|   | <b>1,181</b>   | <b>1,351</b>   |



|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Note 6.1 Property, plant and equipment and infrastructure (cont.)</b> |                |                |
| <b>Computers and telecommunications</b>                                  |                |                |
| at cost  | 2,359          | 2,359          |
| Less accumulated depreciation  | (2,192)        | (2,069)        |
|  | <b>167</b>     | <b>290</b>     |
| <b>Total Plant and Equipment</b>   | <b>3,582</b>   | <b>3,762</b>   |
| <b>Infrastructure</b>  |                |                |
| <b>Roads</b>   |                |                |
| at cost  | 7,164          | 7,164          |
| at fair value as at 30 June 2018   | 111,509        | 125,512        |
| Less accumulated depreciation  | (61,944)       | (77,095)       |
|  | <b>56,729</b>  | <b>55,581</b>  |
| <b>Bridges</b>   |                |                |
| at cost  | 1,437          | 1,437          |
| at fair value as at 30 June 2018   | 12,703         | 12,509         |
| Less accumulated depreciation  | (6,340)        | (6,171)        |
|  | <b>7,800</b>   | <b>7,775</b>   |
| <b>Footpaths and cycleways</b>   |                |                |
| at cost  | 1,247          | 1,247          |
| at fair value as at 30 June 2018   | 5,909          | 4,492          |
| Less accumulated depreciation  | (2,228)        | (2,172)        |
|  | <b>4,928</b>   | <b>3,567</b>   |
| <b>Kerb and channel</b>  |                |                |
| at cost  | 503            | 503            |
| at fair value as at 30 June 2018   | 4,161          | 4,287          |
| Less accumulated depreciation  | (1,769)        | (1,737)        |
|  | <b>2,895</b>   | <b>3,053</b>   |
| <b>Stormwater</b>  |                |                |
| at cost  | 342            | 342            |
| at fair value as at 30 June 2018   | 47,796         | 47,046         |
| Less accumulated depreciation  | (13,842)       | (11,306)       |
|  | <b>34,296</b>  | <b>36,082</b>  |
| <b>Waste</b>   |                |                |
| at fair value as at 30 June 2018   | 1,987          | 1,987          |
| Less accumulated depreciation  | (735)          | (683)          |
|  | <b>1,252</b>   | <b>1,304</b>   |
| <b>Formation earthworks</b>  |                |                |
| at cost  | 1,295          | 1,295          |
| at fair value as at 30 June 2018   | 64,433         | 63,240         |
|  | <b>65,728</b>  | <b>64,535</b>  |
| <b>Total Infrastructure</b>  | <b>173,628</b> | <b>171,897</b> |
| <b>Works in progress</b>   |                |                |
| Buildings at cost  | 458            | 160            |
| Office equipment, furnishing and fittings at cost                        | 4              | 117            |
| Road transport infrastructure at cost                                    | 1,325          | 2,514          |
| Stormwater at cost   | 20             | -              |
| Bridges at cost  | 78             | 26             |
| <b>Total Works in progress</b>   | <b>1,885</b>   | <b>2,817</b>   |
| <b>Total property, plant and equipment and infrastructure</b>            | <b>237,312</b> | <b>232,103</b> |

**Note 6.1 Property, plant and equipment and infrastructure (cont.)**

**Reconciliation of property, plant and equipment and infrastructure**

| 2018  | Balance at<br>beginning<br>of financial<br>year | Acquisition of<br>assets | Revaluation /<br>increments<br>(decrements)<br><br>(note 9.1) | Depreciation<br>and<br>amortisation<br><br>(note 3.3) | Written<br>down value<br>of disposals | Transfers      | Balance at<br>end of<br>financial<br>year |
|---|---|--------------------------|---|---|---------------------------------------|----------------|---|
|   | \$'000  | \$'000                   | \$'000  | \$'000  | \$'000                                | \$'000         | \$'000                                    |
| <b>Property</b>   |   |                          |   |   |                                       |                |   |
| land  | 11,284  | 7                        | -   | -   | (238)                                 | -              | 11,053                                    |
| land under roads  | 15,499  | -                        | -   | -   | (35)                                  | 12             | 15,476                                    |
| land improvements   | 7,166   | -                        | 4,756   | (391)   | (5)                                   | 551            | 12,077                                    |
| <b>Total land</b>   | <b>33,949</b>                                   | <b>7</b>                 | <b>4,756</b>  | <b>(391)</b>  | <b>(278)</b>                          | <b>563</b>     | <b>38,606</b>                             |
| buildings   | 19,324  | -                        | 710   | (592)   | (20)                                  | 44             | 19,466                                    |
| leasehold improvements  | 355   | -                        | -   | (7)   | -                                     | (203)          | 145                                       |
| <b>Total buildings</b>  | <b>19,679</b>                                   | <b>-</b>                 | <b>710</b>  | <b>(599)</b>  | <b>(20)</b>                           | <b>(159)</b>   | <b>19,611</b>                             |
| <b>Total property</b>   | <b>53,628</b>                                   | <b>7</b>                 | <b>5,466</b>  | <b>(990)</b>  | <b>(298)</b>                          | <b>404</b>     | <b>58,217</b>                             |
| <b>Plant and Equipment</b>  |   |                          |   |   |                                       |                |   |
| plant, machinery and equipment                                    | 2,121   | 22                       | -   | (409)   | (110)                                 | 610            | 2,234                                     |
| fixtures, fittings and furniture                                  | 1,351   | -                        | -   | (154)   | -                                     | (16)           | 1,181                                     |
| computers and telecommunications                                  | 290   | -                        | -   | (123)   | -                                     | -              | 167                                       |
| <b>Total plant and equipment</b>                                  | <b>3,762</b>                                    | <b>22</b>                | <b>-</b>  | <b>(686)</b>  | <b>(110)</b>                          | <b>594</b>     | <b>3,582</b>                              |
| <b>Infrastructure</b>   |   |                          |   |   |                                       |                |   |
| roads   | 55,581  | -                        | 660   | (2,476)   | (1,451)                               | 4,415          | 56,729                                    |
| bridges   | 7,775   | -                        | -   | (182)   | (40)                                  | 247            | 7,800                                     |
| footpaths and cycleways   | 3,567   | -                        | 2,070   | (143)   | (836)                                 | 270            | 4,928                                     |
| kerb and channel  | 3,053   | -                        | 42  | (59)  | (272)                                 | 131            | 2,895                                     |
| stormwater  | 36,082  | -                        | (834)   | (488)   | (714)                                 | 250            | 34,296                                    |
| waste   | 1,304   | -                        | -   | (52)  | -                                     | -              | 1,252                                     |
| bulk earthworks   | 64,535  | -                        | 167   | -   | (82)                                  | 1,108          | 65,728                                    |
| <b>Total infrastructure</b>                                       | <b>171,897</b>                                  | <b>-</b>                 | <b>2,105</b>  | <b>(3,400)</b>  | <b>(3,395)</b>                        | <b>6,421</b>   | <b>173,628</b>                            |
| <b>Works in progress</b>  |   |                          |   |   |                                       |                |   |
| buildings   | 160   | 519                      | -   | -   | -                                     | (221)          | 458                                       |
| office equipment  | 117   | 583                      | -   | -   | -                                     | (696)          | 4   |
| roads   | 2,514   | 5,255                    | -   | -   | -                                     | (6,444)        | 1,325                                     |
| stormwater  | -   | 78                       | -   | -   | -                                     | (58)           | 20  |
| bridges   | 26  | 52                       | -   | -   | -                                     | -              | 78  |
| <b>Total works in progress</b>                                    | <b>2,817</b>                                    | <b>6,487</b>             | <b>-</b>  | <b>-</b>  | <b>-</b>                              | <b>(7,419)</b> | <b>1,885</b>                              |
| <b>Total property, plant and<br/>equipment and infrastructure</b> | <b>232,104</b>                                  | <b>6,516</b>             | <b>7,571</b>  | <b>(5,076)</b>  | <b>(3,803)</b>                        | <b>-</b>       | <b>237,312</b>                            |

Note 6.1 Property, plant and equipment and infrastructure (cont.)

Reconciliation of property, plant and equipment and infrastructure

| 2017  | Balance at<br>beginning<br>of financial<br>year | Acquisition of<br>assets | Revaluation /<br>increments<br>(decrements) | Depreciation<br>and<br>amortisation | Written<br>down value<br>of disposals | Transfers | Balance at<br>end of<br>financial year |
|---|---|--------------------------|---|-------------------------------------|---------------------------------------|-----------|--|
|   | \$'000  | \$'000                   | (note 9.1)<br>\$'000                        | (note 3.3)<br>\$'000                | \$'000                                | \$'000    | \$'000                                 |
| <b>Property</b>   |   |                          |   |                                     |                                       |           |  |
| land  | 11,267  | -                        | -   | -                                   | -                                     | 17        | 11,284                                 |
| land under roads  | 15,408  | 91                       | -   | -                                   | -                                     | -         | 15,499                                 |
| land improvements   | 7,047   | -                        | -   | (296)                               | -                                     | 415       | 7,166                                  |
| Total land  | 33,722  | 91                       | -   | (296)                               | -                                     | 432       | 33,949                                 |
| buildings   | 19,538  | -                        | -   | (564)                               | (83)                                  | 433       | 19,324                                 |
| leasehold improvements  | 380   | -                        | -   | (25)                                | -                                     | -         | 355                                    |
| Total buildings   | 19,918  | -                        | -   | (589)                               | (83)                                  | 433       | 19,679                                 |
| Total property  | 53,640  | 91                       | -   | (885)                               | (83)                                  | 865       | 53,628                                 |
| <b>Plant and Equipment</b>                                    |   |                          |   |                                     |                                       |           |  |
| plant, machinery and equipment                                | 1,774   | -                        | -   | (350)                               | (30)                                  | 727       | 2,121                                  |
| fixtures, fittings and furniture                              | 1,509   | -                        | -   | (155)                               | (3)                                   | -         | 1,351                                  |
| computers and telecommunications                              | 351   | -                        | -   | (126)                               | -                                     | 65        | 290                                    |
| Total plant and equipment                                     | 3,634   | -                        | -   | (631)                               | (33)                                  | 792       | 3,762                                  |
| <b>Infrastructure</b>   |   |                          |   |                                     |                                       |           |  |
| roads   | 55,928  | 585                      | -   | (2,595)                             | -                                     | 1,663     | 55,581                                 |
| bridges   | 6,263   | -                        | -   | (166)                               | -                                     | 1,678     | 7,775                                  |
| footpaths and cycleways                                       | 3,217   | 55                       | -   | (128)                               | (10)                                  | 433       | 3,567                                  |
| kerb and channel  | 2,901   | 74                       | -   | (78)                                | (9)                                   | 165       | 3,053                                  |
| stormwater  | 22,882  | 195                      | 13,337                                      | (479)                               | -                                     | 147       | 36,082                                 |
| waste   | 1,357   | -                        | -   | (52)                                | -                                     | (1)       | 1,304                                  |
| bulk earthworks   | 63,902  | -                        | -   | -                                   | -                                     | 633       | 64,535                                 |
| Total infrastructure  | 156,450   | 909                      | 13,337                                      | (3,498)                             | (19)                                  | 4,718     | 171,897                                |
| <b>Works in progress</b>                                      |   |                          |   |                                     |                                       |           |  |
| buildings   | 329   | 773                      | -   | -                                   | -                                     | (942)     | 160                                    |
| office equipment  | 20  | 852                      | -   | -                                   | -                                     | (755)     | 117                                    |
| roads   | 344   | 4,073                    | -   | -                                   | -                                     | (1,903)   | 2,514                                  |
| stormwater  | 18  | 154                      | -   | -                                   | -                                     | (172)     | -                                      |
| bridges   | 43  | 2,586                    | -   | -                                   | -                                     | (2,603)   | 26                                     |
| Total works in progress                                       | 754   | 8,438                    | -   | -                                   | -                                     | (6,375)   | 2,817                                  |
| <b>Total property, plant and equipment and infrastructure</b> | 214,478   | 9,438                    | 13,337                                      | (5,014)                             | (135)                                 | -         | 232,104                                |

**Note 6.1 Property, plant and equipment, infrastructure (cont.)**

**Accounting policy**

**Recognition and measurement of assets**

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Property, plant and equipment and infrastructure received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

The following classes of assets have been recognised. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

|                                  | Threshold<br>\$'000 |
|----------------------------------|---------------------|
| Plant, equipment and intangibles | 5                   |
| All other assets                 | 10                  |

**Revaluation**

Council has adopted the following valuation bases for its non-current assets:

|  |            |
|--|------------|
| Land                                     | fair value |
| Plant and machinery                      | cost       |
| Furniture, fittings and office equipment | cost       |
| Stormwater and drainage infrastructure   | fair value |
| Roads, bridges and street infrastructure | fair value |
| Buildings                                | fair value |
| Intangibles                              | cost       |
| Investment in water corporation          | fair value |

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture, fixtures and fittings are measured at their fair value in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent fair value. The valuation is performed either by experienced Council officers or independent experts.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

**Impairment of assets**

Impairment losses are recognised in the statement of comprehensive income under other expenses.

Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

**Land under roads**

Council recognised the value of land under roads it controls at fair value. This valuation was undertaken at 30 June 2016 and was based on land rates as provided by the Valuer General. Land under roads acquired after 30 June 2016 is brought to account at cost and subsequently revalued on a fair value basis.



**Note 6.2 Prior period adjustment**

**Nature of error**

During the 2017/2018 year, Council identified land improvement assets that had not been previously recorded. An adjustment was made to record these assets as a prior period error, with land improvements and opening retained surplus restated. In addition, certain asset balances related to 2016/17 were restated.

|   | <b>30/06/2017</b> |                   |                 |
|---|-------------------|-------------------|-----------------|
|   | <b>Previous</b>   | <b>Adjustment</b> | <b>Restated</b> |
|   | <b>\$'000</b>     | <b>\$'000</b>     | <b>\$'000</b>   |
| Opening accumulated surplus 1 July 2016 | 85,588            | 814               | 86,402          |
| Land improvements                       |                   |                   |                 |
| Gross                                   | 7,533             | 847               | 8,380           |
| Accumulated depreciation                | (1,150)           | (64)              | (1,214)         |
| Written down value                      | <u>6,383</u>      | <u>783</u>        | <u>7,166</u>    |
| Total property, plant and equipment     | 231,321           | 783               | 232,104         |
| Depreciation and amortisation           | 4,982             | 32                | 5,014           |
| Result from continuing operations       | 3,628             | (32)              | 3,596           |
| Total comprehensive result              | 17,127            | (32)              | 17,095          |

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Note 6.3 Investment property</b>     |                |                |
| Balance at beginning of financial year  | 297            | 297            |
| <b>Balance at end of financial year</b> | <b>297</b>     | <b>297</b>     |

#### Accounting policy

##### Investment Property

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Statement of Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income on a straight line basis over the lease term.

Investments, other than investments in associates and property, are measured at cost.

#### Note 6.4 Intangible assets

|                                |            |            |
|--------------------------------|------------|------------|
| Municipal revaluation costs    | 100        | 108        |
| Water rights                   | 230        | 230        |
| <b>Total intangible assets</b> | <b>330</b> | <b>338</b> |

| Reconciliation of intangible assets            | Municipal<br>Revaluation<br>\$'000 | Water<br>Rights<br>\$'000 | Road<br>Revaluation<br>\$'000 | Total<br>\$'000 |
|--|------------------------------------|---------------------------|-------------------------------|-----------------|
| <b>Gross carrying amount</b>                   |                                    |                           |                               |                 |
| Balance at 1 July 2016                         | 168                                | 230                       | 70                            | 468             |
| Other  | 100                                | -                         | -                             | 100             |
| Balance at 30 June 2017                        | 268                                | 230                       | 70                            | 568             |
| Other  | 41                                 | -                         | -                             | 41              |
| Balance at 30 June 2018                        | <b>309</b>                         | <b>230</b>                | <b>70</b>                     | <b>609</b>      |
| <b>Accumulated amortisation and impairment</b> |                                    |                           |                               |                 |
| Balance at 1 July 2016                         | 160                                | -                         | 70                            | 230             |
| Amortisation expense                           | -                                  | -                         | -                             | -               |
| Balance at 30 June 2017                        | 160                                | -                         | 70                            | 230             |
| Amortisation expense                           | 49                                 | -                         | -                             | 49              |
| Balance at 30 June 2018                        | <b>209</b>                         | <b>-</b>                  | <b>70</b>                     | <b>279</b>      |
| Net book value at 30 June 2017                 | 108                                | 230                       | -                             | 338             |
| Net book value at 30 June 2018                 | <b>100</b>                         | <b>230</b>                | <b>-</b>                      | <b>330</b>      |

#### Accounting policy

##### Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful lives for current and comparative periods are as follows:

|                       |               |
|-----------------------|---------------|
| Municipal Revaluation | 5 years       |
| Roads Revaluation     | 5 years       |
| Water Rights          | Unamortisable |

**Notes to the Financial Report  
for the Year Ended 30 June 2018**

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Note 7 Current liabilities</b>        |                |                |
| <b>Note 7.1 Trade and other payables</b> |                |                |
| <b>Current</b>                           |                |                |
| Trade payables                           | 150            | 196            |
| Accrued expenses                         | 352            | 523            |
| Other                                    | 98             | 92             |
| <b>Total</b>                             | <b>600</b>     | <b>811</b>     |
| <b>Non-current</b>                       |                |                |
| Other                                    | 23             | 17             |
| <b>Total</b>                             | <b>23</b>      | <b>17</b>      |
| <b>Total trade and other payables</b>    | <b>623</b>     | <b>827</b>     |
| <b>Note 7.2 Trust funds and deposits</b> |                |                |
| Refundable application deposits          | 356            | 192            |
| Retention amounts                        | 304            | 256            |
| <b>Total trust funds and deposits</b>    | <b>659</b>     | <b>448</b>     |

**Accounting policy**

**Tender deposits**

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited.

| <b>Note 7.3 Provisions</b>                 | <b>Annual leave</b> | <b>Long service leave</b> | <b>Rostered Day Off</b> | <b>Accrued Day Off</b> | <b>Total</b>   |
|--|---------------------|---------------------------|-------------------------|------------------------|----------------|
|  | <b>\$ '000</b>      | <b>\$ '000</b>            | <b>\$ '000</b>          | <b>\$ '000</b>         | <b>\$ '000</b> |
| <b>2018</b>                                |                     |                           |                         |                        |                |
| Balance at beginning of the financial year | 482                 | 606                       | 37                      | 18                     | 1,143          |
| Additional provisions                      | 362                 | 112                       | 116                     | 34                     | 624            |
| Amounts used                               | (344)               | (44)                      | (114)                   | (33)                   | (535)          |
| Balance at the end of the financial year   | <b>500</b>          | <b>674</b>                | <b>39</b>               | <b>19</b>              | <b>1,232</b>   |
| <b>2017</b>                                |                     |                           |                         |                        |                |
| Balance at beginning of the financial year | 395                 | 624                       | 36                      | 19                     | 1,074          |
| Additional provisions                      | 414                 | 114                       | 101                     | 7                      | 636            |
| Amounts used                               | (327)               | (132)                     | (100)                   | (8)                    | (567)          |
| Balance at the end of the financial year   | <b>482</b>          | <b>606</b>                | <b>37</b>               | <b>18</b>              | <b>1,143</b>   |

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>(a) Employee benefits</b>                    |                |                |
| <b>(i) Current</b>                              |                |                |
| Annual leave                                    | 500            | 482            |
| Long service leave                              | 446            | 437            |
| Rostered day off                                | 39             | 37             |
| Accrued day off                                 | 19             | 18             |
|   | <b>1,004</b>   | <b>974</b>     |
| <b>(ii) Non-current</b>                         |                |                |
| Long service leave                              | 228            | 169            |
|   | <b>228</b>     | <b>169</b>     |
| Aggregate carrying amount of employee benefits: |                |                |
| Current   | 1,004          | 974            |
| Non-current                                     | 228            | 169            |
|   | <b>1,232</b>   | <b>1,143</b>   |

**Note 7.3 Provisions (cont.)**

|  | 2018          | 2017          |
|--|---------------|---------------|
| The following assumptions were adopted in measuring the present value of employee benefits:                    |               |               |
| Weighted average increase in employee costs  | 2.50%         | 2.50%         |
| Weighted average discount rates  | 2.26%         | 2.14%         |
| Weighted average settlement period   | 12            | 12            |
|  | <b>2018</b>   | <b>2017</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>(iii) Current</b>   |               |               |
| All annual leave and the long service leave entitlements representing 10 or more years of continuous service   |               |               |
| - Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal | 1,004         | 974           |
|  | <b>1,004</b>  | <b>974</b>    |
| <b>(iv) Non-current</b>  |               |               |
| Long service leave representing less than 10 years of continuous service measured at present value             | 228           | 169           |
| <b>(v) Employee Numbers</b>  | <b>65</b>     | <b>62</b>     |

**Accounting policy**

**Employee benefits**

*i) Short term obligations*

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

*ii) Other long term employee benefit obligations*

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

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

*iii) Sick leave*

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

*iv) Defined benefit*

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e as an expense when it becomes payable.

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), a sub-fund of the Tasplan Superannuation Fund (Tasplan). The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 *Employee Benefit*, Council does not use defined benefit accounting for these contributions.

*v) 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.



|                 |   | 2018         | 2017         |
|-----------------|---|--------------|--------------|
|                 |   | \$'000       | \$'000       |
| <b>Note 8</b>   | <b>Non-current</b>  |              |              |
| <b>Note 8.1</b> | <b>Interest-bearing loans and borrowings</b>  |              |              |
|                 | <b>Current</b>  |              |              |
|                 | Borrowings - secured  | 187          | 175          |
|                 |   | <b>187</b>   | <b>175</b>   |
|                 | <b>Non-current</b>  |              |              |
|                 | Borrowings - secured  | 2,080        | 2,267        |
|                 |   | <b>2,080</b> | <b>2,267</b> |
|                 | <b>Total</b>  | <b>2,267</b> | <b>2,442</b> |
|                 | <b>Borrowings</b>   |              |              |
|                 | Borrowings are secured by a Deed of Negative Pledge that prevents the Council from creating or allowing a security interest over any of its assets unless the existing lender also has a similar or equivalent security interest. |              |              |
|                 | The maturity profile for Council's borrowings is:   |              |              |
|                 | Not later than one year   | 187          | 175          |
|                 | Later than one year and not later than five years   | 1,973        | 2,057        |
|                 | Later than five years   | 107          | 210          |
|                 | <b>Total</b>  | <b>2,267</b> | <b>2,442</b> |

#### Accounting policy

##### Interest bearing liabilities

The borrowing capacity of Council is limited by the *Local Government Act 1993*. Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition these liabilities are measured at amortised cost. Any difference between the proceed (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the liability using the effective interest method.

**Note 9 Other financial information**  
**Note 9.1 Reserves**

|   | Balance at<br>beginning of<br>reporting year<br>\$'000 | Increment<br>\$'000 | (Decrement)<br>\$'000 | Balance at end of<br>reporting year<br>\$'000 |
|---|--|---------------------|-----------------------|---|
| <b>(a) Asset revaluation reserve</b>            |  |                     |                       |   |
| <b>2018</b>                                     |  |                     |                       |   |
| <b>Property</b>                                 |  |                     |                       |   |
| Land  | 8,589  | -                   | -                     | 8,589   |
| Land under roads                                | 10   | -                   | -                     | 10  |
| Buildings                                       | 11,487   | 710                 | -                     | 12,197  |
| Land improvements                               | -  | 4,756               | -                     | 4,756   |
|   | <b>20,086</b>  | <b>5,466</b>        | -                     | <b>25,552</b>                                 |
| <b>Infrastructure</b>                           |  |                     |                       |   |
| Roads   | 121,014  | 2,939               | -                     | 123,953                                       |
| Bridges   | 3,925  | -                   | -                     | 3,925   |
| Waste   | 642  | -                   | -                     | 642   |
| Stormwater                                      | 29,075   | (833)               | -                     | 28,242  |
|   | <b>154,656</b>   | <b>2,106</b>        | -                     | <b>156,762</b>                                |
| Associate - Southern Waste Solutions (note 4.1) | 55   | -                   | -                     | 55  |
|   | <b>55</b>  | -                   | -                     | <b>55</b>                                     |
| <b>Total asset revaluation reserve</b>          | <b>174,797</b>   | <b>7,572</b>        | -                     | <b>182,369</b>                                |
| <b>2017</b>                                     |  |                     |                       |   |
| <b>Property</b>                                 |  |                     |                       |   |
| Land  | 8,589  | -                   | -                     | 8,589   |
| Land under roads                                | 10   | -                   | -                     | 10  |
| Buildings                                       | 11,487   | -                   | -                     | 11,487  |
|   | <b>20,086</b>  | -                   | -                     | <b>20,086</b>                                 |
| <b>Infrastructure</b>                           |  |                     |                       |   |
| Roads   | 121,014  | -                   | -                     | 121,014                                       |
| Bridges   | 3,925  | -                   | -                     | 3,925   |
| Waste   | 642  | -                   | -                     | 642   |
| Stormwater                                      | 15,738   | 13,337              | -                     | 29,075  |
|   | <b>141,319</b>   | <b>13,337</b>       | -                     | <b>154,656</b>                                |
| Associate - Southern Waste Solutions (note 4.1) | 55   | -                   | -                     | 55  |
|   | <b>55</b>  | -                   | -                     | <b>55</b>                                     |
| <b>Total asset revaluation reserve</b>          | <b>161,460</b>   | <b>13,337</b>       | -                     | <b>174,797</b>                                |

The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.

**(b) Fair value reserve**

**2018**

**Available-for-sale assets**

|                                 |                |            |   |                |
|---------------------------------|----------------|------------|---|----------------|
| Investment in water corporation | (4,580)        | 321        | - | (4,259)        |
| <b>Total fair value reserve</b> | <b>(4,580)</b> | <b>321</b> | - | <b>(4,259)</b> |

**2017**

**Available-for-sale assets**

|                                 |                |            |   |                |
|---------------------------------|----------------|------------|---|----------------|
| Investment in water corporation | (4,741)        | 161        | - | (4,580)        |
| <b>Total fair value reserve</b> | <b>(4,741)</b> | <b>161</b> | - | <b>(4,580)</b> |

The available-for-sale financial asset reserve was established to capture the fair value movements in Council's water corporation investment.

**Notes to the Financial Report  
for the Year Ended 30 June 2018**

| Note 9.1 | Reserves (cont.)            | Balance at<br>beginning of<br>reporting year | Increment | (Decrement) | Balance at<br>end of<br>reporting year |
|----------|-----------------------------|--|-----------|-------------|--|
|          |                             | \$'000                                       | \$'000    | \$'000      | \$'000                                 |
|          | <b>(c) Other reserves</b>   |  |           |             |  |
|          | <b>2018</b>                 |  |           |             |  |
|          | Plant replacement           | 5  | -         | -           | 5                                      |
|          | Childrens services          | 56   | -         | -           | 56                                     |
|          | Tracks and trails           | 23   | -         | -           | 23                                     |
|          | Stormwater Southern Beaches | 900  | -         | -           | 900                                    |
|          | Land                        | 66   | -         | -           | 66                                     |
|          | <b>Total Other reserves</b> | <b>1,050</b>                                 | <b>-</b>  | <b>-</b>    | <b>1,050</b>                           |
|          | <b>2017</b>                 |  |           |             |  |
|          | Plant replacement           | 5  | -         | -           | 5                                      |
|          | Childrens services          | 56   | -         | -           | 56                                     |
|          | Tracks and trails           | 23   | -         | -           | 23                                     |
|          | Stormwater Southern Beaches | 900  | -         | -           | 900                                    |
|          | Land                        | 66   | -         | -           | 66                                     |
|          | <b>Total Other reserves</b> | <b>1,050</b>                                 | <b>-</b>  | <b>-</b>    | <b>1,050</b>                           |

Other reserves represent the appropriation of surplus to reserves for future capital works projects

|                       | 2018<br>\$'000 | 2017<br>\$'000 |
|-----------------------|----------------|----------------|
| <b>Total Reserves</b> | <b>179,160</b> | <b>171,267</b> |

**Note 9.2 Reconciliation of cash flows from operating activities to surplus / (deficit)**

|  |              |              |
|--|--------------|--------------|
| Result from continuing operations  | (991)        | 3,596        |
| Depreciation/amortisation  | 5,126        | 5,014        |
| (Profit)/loss on disposal of property, plant and equipment, infrastructure | 3376         | (52)         |
| Developer Contributions  | (2)          | (997)        |
| (Gain) / Loss on interest in associate                                     | (178)        | (229)        |
| Capital grants received specifically for new or upgraded assets            | (1,622)      | (1,506)      |
| <i>Change in assets and liabilities:</i>                                   |              |              |
| Decrease/(increase) in trade and other receivables                         | 41           | 297          |
| Decrease/(increase) in other assets  | (15)         | (15)         |
| Decrease/(increase) in inventories   | 54           | 17           |
| Increase/(decrease) in trade and other payables                            | 187          | (253)        |
| Increase/(decrease) in provisions  | 90           | 68           |
| <b>Net cash provided by/(used in) operating activities</b>                 | <b>6,066</b> | <b>5,940</b> |

**Note 9.3 Reconciliation of liabilities arising from financing activities**

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Interest-bearing loans and borrowings</b> |                |                |
| <b>Balance as at 1 July 2017</b>             | 2,442          | 2,605          |
| Changes from financing cash flows:           |                |                |
| Cash Received                                | -              | -              |
| Cash Repayments                              | (175)          | (163)          |
| <b>Balance as at 30 June 2018</b>            | <b>2,267</b>   | <b>2,442</b>   |

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Note 9.4 Reconciliation of cash and cash equivalents</b> |                |                |
| Cash and cash equivalents (see note 5.1)                    | 7,866          | 6,661          |
| <b>Total reconciliation of cash and cash equivalents</b>    | <b>7,866</b>   | <b>6,661</b>   |

#### Note 9.5 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), a sub-fund of the Tasplan Superannuation Fund (Tasplan). The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2018 the Council contributed 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2017. The review disclosed that at that time the net market value of assets available for funding member benefits was \$58,940,000, the value of vested benefits was \$51,170,000, the surplus over vested benefits was \$7,770,000, the value of total accrued benefits was \$50,606,000, and the number of members was 134. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Tasplan Super's financial statements for Council employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

- Net Investment Return 7.0% p.a.
- Salary Inflation 4.0% p.a.
- Price Inflation n/a

The actuarial review concluded that:

- The value of assets of the Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2017.
- The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2017.
- Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017.

The Actuary recommended that in future the Council contribute 9.5% of salaries in 2017/18 and 0% from 1 July 2018 to 30 June 2021.

The Actuary will continue to undertake a brief review of the financial position the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2020 and is expected to be completed late in 2020.

Council also contributes to other accumulation schemes on behalf of a number of employees; however the Council has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

During the year Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*.

As required in terms of paragraph 148 of AASB 119 *Employee Benefits*, Council discloses the following details:

- The 2017 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is consistent with the method used at the previous actuarial review in 2014.

Under the aggregate funding method of financing the benefits, the stability of the Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, the Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

- In terms of Rule 27.4 of the Tasplan Trust Deed (Trust Deed), there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Rule 27.4 (b) (A). However, there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.

**Note 9.5 Superannuation (cont.)**

- The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependents in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

The Trust Deed does not contemplate the Fund withdrawing from Tasplan. However it is likely that Rule 27.4 would be applied in this case (as detailed above).

- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.
- During the reporting period the amount of contributions paid to defined benefits schemes was \$33k (2016-17, \$36k), and the amount paid to accumulation schemes was \$557k (2016-17, \$527k).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$35k, and the amount to be paid to accumulation schemes is \$568k.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2020.
- An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2017, showed that the Fund had assets of \$58.9 million and members' Vested Benefits were \$51.2 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2017 the fund had 134 members and the total employer contributions and member contributions for the year ending 30 June 2017 were \$1,777,084 and \$267,506 respectively.

| <b>Fund</b>  | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
|--|------------------------|------------------------|
| <b>Defined benefits fund</b>   |                        |                        |
| Employer contributions to Quadrant Defined Benefits Fund                           | 33                     | 36                     |
|  | 33                     | 36                     |
| Employer contributions payable to Quadrant Defined Benefits Fund at reporting date | 2                      | -                      |
|  | 2                      | -                      |
| <b>Accumulation funds</b>  |                        |                        |
| Employer contributions to Tasplan  | 155                    | 204                    |
| Superannuation Fund  |                        |                        |
| Employer contributions to all other superannuation funds                           | 403                    | 323                    |
|  | 558                    | 527                    |
| Employer contributions payable to Tasplan Superannuation Fund at reporting date    | 13                     | -                      |
| Employer contributions payable to all other superannuation funds at reporting date | 38                     | -                      |
|  | 51                     | -                      |

**Note 9.6 Commitments**

**Capital Expenditure Commitments**

|  |            |              |
|--|------------|--------------|
| Roads  | 243        | 1,071        |
| <b>Total Capital expenditure commitments</b> | <b>243</b> | <b>1,071</b> |

**Contractual commitments**

Contractual commitments at end of financial year but not recognised in the financial report are as follows:

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Garbage collection contract          | 1,082        | 967          |
| Green waste and hard waste contract  | 168          | 108          |
| Recycling centre management          | 82           | 103          |
| Cleaning contractors                 | 167          | 132          |
| <b>Total contractual commitments</b> | <b>1,499</b> | <b>1,310</b> |



2018  
\$'000

2017  
\$'000

#### Note 9.7 Operating leases

##### (a) Operating lease commitments

At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

|   |           |           |
|---|-----------|-----------|
| Not later than one year                           | 7         | 7         |
| Later than one year and not later than five years | 9         | 16        |
| Later than five years                             | -         | -         |
|   | <b>16</b> | <b>23</b> |

##### (b) Operating lease receivables

Community amenities, recreational facilities, land below communication facilities and walkways. Future minimum rentals receivable under non-cancellable operating leases are as follows:

|   |           |           |
|---|-----------|-----------|
| Not later than one year                           | 15        | 15        |
| Later than one year and not later than five years | 20        | 20        |
| Later than five years                             | -         | -         |
|   | <b>35</b> | <b>35</b> |

#### Accounting policy

##### Leases

##### i) Operating leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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.

Council leases several parcels of Crown land under lease agreements with the State Government. These leases, in general do not reflect commercial arrangements, are long-term and have minimal lease payments. Crown land is recognised as an asset in the Statement of Financial Position and carried at fair value when Council establishes that (i) it has control over the land and (ii) it will derive economic benefits from it.

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

##### ii) Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 15 to 30 year period.

2018  
\$'000

2017  
\$'000

#### Note 9.8 Contingent liabilities and contingent assets

##### Contingent liabilities

Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors.

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

**Note 9.9 Financial Instruments**

**(a) Accounting Policy, terms and conditions**

| <b>Recognised financial instruments</b>      | <b>Note</b> | <b>Accounting Policy</b>  | <b>Terms and Conditions</b>  |
|--|-------------|---|--|
| <b>Financial assets</b>                      |             |   |  |
| <b>Cash and cash equivalents</b>             | 5.1         | <p>Cash on hand and at bank and money market call accounts are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p> <p>Managed funds are measured at market value.</p> | <p>On call deposits returned a floating interest rate of 0.8% (1.53% in 2016-17). The interest rate at balance date was 0.8% (0.6%).</p> <p>Funds returned fixed interest rate of between 1.5% (1.4%), and 2.35% (2.35% ) net of fees.</p> |
| <b>Trade and other receivables</b>           |             |   |  |
| <b>Other debtors</b>                         | 5.2         | <p>Receivables are carried at amortised cost using the effective interest method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.</p> <p>Collectability of overdue accounts is assessed on an ongoing basis.</p>  | <p>General debtors are unsecured and arrears attract an interest rate of 3.0% (3.0%). Credit terms are based on 90 days.</p>   |
| <b>Available for sale financial assets</b>   |             |   |  |
| <b>Investment in Water Corporation</b>       | 4.2         | <p>The investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date.</p>   | <p>Investment in TasWater provided return of 1.95% (2.01%) excluding unrealised gains/losses.</p>  |
| <b>Financial Liabilities</b>                 |             |   |  |
| <b>Trade and other payables</b>              | 7.1         | <p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>  | <p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>  |
| <b>Interest-bearing loans and borrowings</b> | 8.1         | <p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.</p>  | <p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 6.05% (6.12% in 2016-17).</p>  |

Note 9.9 Financial Instruments (cont.)

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2018

|  | Weighted<br>average<br>interest<br>rate | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|--|---|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
|  |   |  | 1 year<br>or less<br>\$'000 | Over 1 to<br>5 years<br>\$'000 | More than<br>5 years<br>\$'000 |                                   |                 |
| <b>Financial assets</b>                  |   |  |                             |                                |                                |                                   |                 |
| Cash and cash equivalents                | 0.80%                                   | 7,866                                  | -                           | -                              | -                              | -                                 | 7,866           |
| Midway Point Improvement loan receivable | 9.77%                                   | -                                      | -                           | -                              | 36                             | -                                 | 36              |
| Trade and other receivables              | 0.00%                                   | 95                                     | -                           | -                              | -                              | 393                               | 488             |
| Investment in water corporation          |   | -                                      | -                           | -                              | -                              | 25,048                            | 25,048          |
| <b>Total financial assets</b>            |   | <b>7,961</b>                           | <b>-</b>                    | <b>-</b>                       | <b>36</b>                      | <b>25,441</b>                     | <b>33,438</b>   |
| <b>Financial liabilities</b>             |   |  |                             |                                |                                |                                   |                 |
| Trade and other payables                 |   | -                                      | -                           | -                              | -                              | 623                               | 623             |
| Trust funds and deposits                 |   | -                                      | -                           | -                              | -                              | 659                               | 659             |
| Interest-bearing loans and borrowings    | 6.05%                                   | -                                      | 187                         | 1,973                          | 107                            | -                                 | 2,267           |
| <b>Total financial liabilities</b>       |   | <b>-</b>                               | <b>187</b>                  | <b>1,973</b>                   | <b>107</b>                     | <b>1,282</b>                      | <b>3,549</b>    |
| Net financial assets / (liabilities)     |   | <b>7,961</b>                           | <b>(187)</b>                | <b>(1,973)</b>                 | <b>(71)</b>                    | <b>24,159</b>                     | <b>29,889</b>   |

2017

|  | Weighted<br>average<br>interest<br>rate | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|--|---|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
|  |   |  | 1 year or<br>less<br>\$'000 | Over 1 to<br>5 years<br>\$'000 | More than<br>5 years<br>\$'000 |                                   |                 |
| <b>Financial assets</b>                  |   |  |                             |                                |                                |                                   |                 |
| Cash and cash equivalents                | 1.53%                                   | 6,661                                  | -                           | -                              | -                              | -                                 | 6,661           |
| Midway Point Improvement loan receivable | 9.765%                                  | -                                      | -                           | -                              | 38                             | -                                 | 38              |
| Trade and other receivables              | 0.00%                                   | -                                      | -                           | -                              | -                              | 529                               | 529             |
| Investment in water corporation          |   | -                                      | -                           | -                              | -                              | 24,727                            | 24,727          |
| <b>Total financial assets</b>            |   | <b>6,661</b>                           | <b>-</b>                    | <b>-</b>                       | <b>38</b>                      | <b>25,256</b>                     | <b>31,955</b>   |
| <b>Financial liabilities</b>             |   |  |                             |                                |                                |                                   |                 |
| Trade and other payables                 |   | -                                      | -                           | -                              | -                              | 827                               | 827             |
| Trust funds and deposits                 |   | -                                      | -                           | -                              | -                              | 448                               | 448             |
| Interest-bearing loans and borrowings    | 6.12%                                   | -                                      | 175                         | 2,057                          | 210                            | -                                 | 2,442           |
| <b>Total financial liabilities</b>       |   | <b>-</b>                               | <b>175</b>                  | <b>2,057</b>                   | <b>210</b>                     | <b>1,275</b>                      | <b>3,717</b>    |
| Net financial assets / (liabilities)     |   | <b>6,661</b>                           | <b>(175)</b>                | <b>(2,057)</b>                 | <b>(172)</b>                   | <b>23,981</b>                     | <b>28,238</b>   |

**Note 9.9 Financial Instruments (cont.)**

**(c) Fair Value**

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

|                                       | Total carrying amount as per Balance Sheet |                | Aggregate net fair value |                |
|---------------------------------------|--|----------------|--------------------------|----------------|
| Financial Instruments                 | 2018<br>\$'000                             | 2017<br>\$'000 | 2018<br>\$'000           | 2017<br>\$'000 |
| <i>Financial assets</i>               |  |                |                          |                |
| Cash and cash equivalents             | 7,866                                      | 6,661          | 7,866                    | 6,661          |
| Trade and other receivables           | 524  | 567            | 524                      | 567            |
| Investment in water corporation       | 25,048                                     | 24,727         | 25,048                   | 24,727         |
| <b>Total financial assets</b>         | <b>33,438</b>                              | <b>31,955</b>  | <b>33,438</b>            | <b>31,955</b>  |
| <i>Financial liabilities</i>          |  |                |                          |                |
| Trade and other payables              | 623  | 827            | 623                      | 827            |
| Trust funds and deposits              | 659  | 448            | 659                      | 448            |
| Interest-bearing loans and borrowings | 2,267                                      | 2,442          | 2,267                    | 2,442          |
| <b>Total financial liabilities</b>    | <b>3,549</b>                               | <b>3,717</b>   | <b>3,549</b>             | <b>3,717</b>   |

**(d) Credit Risk**

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

**(e) Risks and mitigation**

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

**Market risk**

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- Ensuring access to diverse sources of funding;
- Reducing risks of refinancing by managing in accordance with target maturity profiles; and
- Setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Treasury and Finance each year.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993*. We manage interest rate risk by adopting an investment policy that ensures:

- Conformity with State and Federal regulations and standards;
- Capital protection;
- Appropriate liquidity;
- Diversification by credit rating, financial institution and investment product;
- Monitoring of return on investment; and
- Benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

**Note 9.9 Financial Instruments (cont.)**

**Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in our Statement of Financial Position. To help manage this risk:

- We may require collateral where appropriate; and
- We only invest surplus funds with financial institutions which have a recognised credit rating specified in our Investment

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.

In addition, receivable balance are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provides a guarantee for another party. Details of our contingent liabilities are disclosed in note 9.8.

**Credit quality of contractual financial assets that are neither past due nor impaired**

|   | Financial<br>Institutions<br>(AAA credit rating) | Government<br>agencies<br>(BBBB credit<br>rating) | Other<br>(min BBB credit<br>rating) | Total        |
|---|--|---|-------------------------------------|--------------|
| <b>2018</b>                               |  |   |                                     |              |
| Cash and cash equivalents                 | 7,866  | -   | -                                   | 7,866        |
| Trade and other receivables               | -  | -   | -                                   | -            |
| Investments and other financial assets    | -  | -   | -                                   | -            |
| <b>Total contractual financial assets</b> | <b>7,866</b>                                     | <b>-</b>  | <b>-</b>                            | <b>7,866</b> |
| <b>2017</b>                               |  |   |                                     |              |
| Cash and cash equivalents                 | 6,661  | -   | -                                   | 6,661        |
| Trade and other receivables               | -  | -   | -                                   | -            |
| Investments and other financial assets    | -  | -   | -                                   | -            |
| <b>Total contractual financial assets</b> | <b>6,661</b>                                     | <b>-</b>  | <b>-</b>                            | <b>6,661</b> |

**Ageing of Trade and Other Receivables**

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's Trade and Other Receivables was:

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Rates (secured on property)                | 95             | 157            |
| Current (not yet due)                      | 275            | 229            |
| Past due by up to 30 days                  | 6              | 45             |
| Past due between 31 and 180 days           | 30             | 22             |
| Past due between 181 and 365 days          | 17             | 1              |
| Past due by more than 1 year               | 102            | 112            |
| <b>Total Trade &amp; Other Receivables</b> | <b>525</b>     | <b>566</b>     |



**Note 9.9 Financial Instruments (cont.)**

**Liquidity risk**

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- We will not have sufficient funds to settle a transaction on the date;
- We will be forced to sell financial assets at a value which is less than what they are worth; or
- We may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- Have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- Have readily accessible standby facilities and other funding arrangements in place;
- Have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- Monitor budget to actual performance on a regular basis; and
- Set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The table below lists the contractual maturities for Financial Liabilities.

These amounts represent the undiscounted cash flow payments (ie principal only).

| <b>2018</b>                           | <b>6 mths</b>  | <b>6-12</b>   | <b>1-2</b>    | <b>2-5</b>    | <b>&gt;5</b>  | <b>Contracted</b> | <b>Carrying</b> |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                                       | <b>or less</b> | <b>months</b> | <b>years</b>  | <b>years</b>  | <b>years</b>  | <b>Cash Flow</b>  | <b>Amount</b>   |
|                                       | <b>\$'000</b>  | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>     | <b>\$'000</b>   |
| Trade and other payables              | 623            | -             | -             | -             | -             | 623               | 623             |
| Trust funds and deposits              | -              | 659           | -             | -             | -             | 659               | 659             |
| Interest-bearing loans and borrowings | 92             | 95            | 200           | 1,771         | 107           | 2,138             | 2,265           |
| Total financial liabilities           | 715            | 754           | 200           | 1,771         | 107           | 3,420             | 3,547           |

| <b>2017</b>                           | <b>6 mths</b>  | <b>6-12</b>   | <b>1-2</b>    | <b>2-5</b>    | <b>&gt;5</b>  | <b>Contracted</b> | <b>Carrying</b> |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                                       | <b>or less</b> | <b>months</b> | <b>years</b>  | <b>years</b>  | <b>years</b>  | <b>Cash Flow</b>  | <b>Amount</b>   |
|                                       | <b>\$'000</b>  | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>     | <b>\$'000</b>   |
| Trade and other payables              | 827            | -             | -             | -             | -             | 827               | 827             |
| Trust funds and deposits              | -              | 448           | -             | -             | -             | 448               | 448             |
| Interest-bearing loans and borrowings | 86             | 89            | 187           | 1,870         | 210           | 2,301             | 2,442           |
| Total financial liabilities           | 913            | 537           | 187           | 1,870         | 210           | 3,576             | 3,717           |

**Note 9.9 Financial Instruments (cont.)**

**(f) Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia):

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of 4.4%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

|                                       |        | Interest rate risk |        |                   |        |
|---------------------------------------|--------|--------------------|--------|-------------------|--------|
|                                       |        | -2 %               |        | +1%               |        |
|                                       |        | -200 basis points  |        | +100 basis points |        |
|                                       |        | Profit             | Equity | Profit            | Equity |
| <b>2018</b>                           | \$'000 | \$'000             | \$'000 | \$'000            | \$'000 |
| <b>Financial assets:</b>              |        |                    |        |                   |        |
| Cash and cash equivalents             | 7,866  | (157)              | 157    | (79)              | 79     |
| <b>Financial liabilities:</b>         |        |                    |        |                   |        |
| Interest-bearing loans and borrowings | 2,267  | (45)               | 45     | (23)              | 23     |

|                                       |        | Interest rate risk |        |                   |        |
|---------------------------------------|--------|--------------------|--------|-------------------|--------|
|                                       |        | -2 %               |        | +1%               |        |
|                                       |        | -200 basis points  |        | +100 basis points |        |
|                                       |        | Profit             | Equity | Profit            | Equity |
| <b>2017</b>                           | \$'000 | \$'000             | \$'000 | \$'000            | \$'000 |
| <b>Financial assets:</b>              |        |                    |        |                   |        |
| Cash and cash equivalents             | 6,661  | (133)              | 133    | (67)              | 67     |
| <b>Financial liabilities:</b>         |        |                    |        |                   |        |
| Interest-bearing loans and borrowings | 2,442  | (49)               | 49     | (24)              | 24     |

**Note 9.10 Fair Value Measurements**

Council measures and recognises the following assets at fair value on a recurring basis:

- Investment property
- Investment in water corporation
- Property, infrastructure, plant and equipment
  - Land
  - Buildings, including footpaths & cycleways
  - Roads
  - Bridges
  - Other infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

**(a) 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 1 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. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2018.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

**As at 30 June 2018**

|  | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b> |      |                   |                   |                   |                 |
| Investment property                      | 6.3  | -                 | 297               | -                 | 297             |
| Investment in water corporation          | 4.2  | -                 | -                 | 25,048            | 25,048          |
| Land                                     | 6.1  | -                 | 45,520            | -                 | 45,520          |
| Buildings                                | 6.1  | -                 | 23,092            | -                 | 23,092          |
| Roads, including footpaths & cycleways   | 6.1  | -                 | -                 | 186,013           | 186,013         |
| Bridges                                  | 6.1  | -                 | -                 | 12,703            | 12,703          |
| Drainage                                 | 6.1  | -                 | -                 | 47,796            | 47,796          |
| Other Infrastructure                     | 6.1  | -                 | -                 | 1,987             | 1,987           |
|  |      | -                 | 68,909            | 273,547           | 342,456         |

**As at 30 June 2017**

|  | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b> |      |                   |                   |                   |                 |
| Investment property                      | 6.3  | -                 | 297               | -                 | 297             |
| Investment in water corporation          | 4.2  | -                 | -                 | 24,727            | 24,727          |
| Land                                     | 6.1  | -                 | 31,284            | -                 | 31,284          |
| Buildings                                | 6.1  | -                 | 22,511            | -                 | 22,511          |
| Roads, including footpaths & cycleways   | 6.1  | -                 | -                 | 197,531           | 197,531         |
| Bridges                                  | 6.1  | -                 | -                 | 12,509            | 12,509          |
| Drainage                                 | 6.1  | -                 | -                 | 47,046            | 47,046          |
| Other Infrastructure                     | 6.1  | -                 | -                 | 1,987             | 1,987           |
|  |      | -                 | 54,092            | 283,800           | 337,892         |

**Note 9.10 Fair Value Measurements (cont.)**

***Transfers between levels of the hierarchy***

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

**(b) Highest and best use**

All assets valued at fair value in this note are being used for their highest and best use.

**(c) Valuation techniques and significant inputs used to derive fair values**

**Level 2 Measurements (recurring and non-recurring)** -assets in this category have been valued by independent external valuation in June 2011.

**Level 3 Measurements (recurring and non-recurring)** - same as Level 2 above.

**Investment property and Investment in water corporation**

Refer to Notes 6.3 and 4.2 respectively for details of valuation techniques used to derive fair values.

**Land**

Land fair values were determined from the Valuer General's valuation of the 1st July 2010 with an adjustment factor set for periods

***Land under roads***

Land under roads is based on Council's valuation as at 30 June 2016 using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights, private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation.

**Buildings**

The fair value of buildings were also determined by a qualified independent valuer, Assetic Pty Ltd effective 30 June 2015. Where there is a market for Council's building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value and useful life that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

**Infrastructure assets**

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take into account the expired service potential of the asset.

The CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. The resulting valuation reflects the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output. The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 6.1. The calculation of DRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

**Note 9.10 Fair Value Measurements (cont.)**

The methods for calculating CRC are described under individual asset categories below.

Roads, including footpaths & cycleways

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments of 500m, while rural roads are also managed in 500m segments. All road segments are then componentised into formation, pavement, sub-pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths, variable based on location and surface type (usually between 2.5cm and 4cm). For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

Bridges

A full valuation of bridge assets was undertaken by independent valuers, Tasspan, effective 30 June 2014. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area. Construction estimates for materials and services prices are based on movements in bridge construction costs as published by the ABS and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA).

Stormwater

A full valuation of drainage infrastructure was undertaken by independent valuers, Assetic Pty Ltd, effective 1 July 2016. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

The CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

Other Infrastructure

Other infrastructure is not deemed to be significant in terms of Council's Statement of Financial Position.

**(d) Unobservable inputs and sensitivities**

| Asset / liability category*     | Carrying amount (at fair value) | Key unobservable inputs *                                   | Expected range of inputs | Description of how changes in inputs will affect the fair value |
|---------------------------------|---------------------------------|---|--------------------------|---|
| Investment in Water Corporation | 25,048                          | Refer to note 4.2 for a description of the valuation basis. |                          |   |

\*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

**(e) Changes in recurring level 3 fair value measurements**

The changes in level 3 property, plant and equipment assets with recurring fair value measurements are detailed in note 6.1 (Property, infrastructure, plant and equipment). Investment in water corporation, which is classified as level 3 has been separately disclosed in note 4.2. Investments classified as Level 3 have been separately disclosed in 6.3.

There have been no transfers between level 1, 2 or 3 measurements during the year.

**Notes to the Financial Report  
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**Note 9.10 Fair Value Measurements (cont.)**

**(f) Valuation processes**

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation and investment property (recurring fair value measurements) is set out in notes 4.1, 6.1, and 6.3 respectively.

Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

**(g) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer note 9.9)

Council's borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 9.9 is provided by Tascorp (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).



**Note 9.11 Events occurring after balance date**

- (a) No significant events affecting these accounts occurred after balance date.

**Note 10 Other matters**

**Note 10.1 Related party transactions**

**(i) Responsible Persons**

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

|                    |   |
|--------------------|---|
| <b>Councillors</b> | Councillor Kerry Vincent (Mayor 2012 to current)            |
|                    | Councillor Brett McDonald (Deputy Mayor 2011 to current)    |
|                    | Councillor Kerry Degraasi (Councillor 1996 to current)      |
|                    | Councillor Deborah De Williams (Councillor 2014 to current) |
|                    | Councillor Graeme Evans (Councillor 1999 to current)        |
|                    | Councillor Vlad Gala (Councillor 2014 to current)           |
|                    | Councillor Natham Reynolds (Councillor 2014 to current)     |
|                    | Councillor Carmel Torenus (Councillor 2014 to current)      |
|                    | Councillor Lindsay White (Councillor 2011 to current)       |

**General Manager** Robert Higgins (September 2013 to current)

**Manager Engineering & Regulatory Services** Russell Fox (April 2014 to current)

**Manager Finance & Information** Tina House (March 2015 to current)

**Manager Human & Community Services** Jess Radford (August 2013 to current)

**(ii) Councillor Remuneration**

| 2018                | Short term employee benefits |                       | Post employment benefits    | Total Compensation<br>AASB 124 | Expenses <sup>3</sup> | Total allowances and expenses section 72 |
|---------------------|------------------------------|-----------------------|-----------------------------|--------------------------------|-----------------------|--|
|                     | Allowances                   | Vehicles <sup>2</sup> | Superannuation <sup>1</sup> |                                |                       |  |
|                     | \$                           | \$                    | \$                          | \$                             | \$                    | \$                                       |
| <i>Mayor</i>        | 53                           | -                     | -                           | 53                             | 2                     | 55                                       |
| <i>Deputy Mayor</i> | 28                           | -                     | -                           | 28                             | -                     | 28                                       |
| <i>Councillors</i>  | 103                          | -                     | -                           | 103                            | 6                     | 109                                      |
| <b>Total</b>        | <b>184</b>                   | <b>-</b>              | <b>-</b>                    | <b>184</b>                     | <b>8</b>              | <b>192</b>                               |
|                     |                              |                       |                             |                                |                       |  |
| 2017                | Short term employee benefits |                       | Post employment benefits    | Total Compensation<br>AASB 124 | Expenses <sup>3</sup> | Total allowances and expenses section 72 |
|                     | Allowances                   | Vehicles <sup>2</sup> | Superannuation <sup>1</sup> |                                |                       |  |
|                     | \$                           | \$                    | \$                          | \$                             | \$                    | \$                                       |
| <i>Mayor</i>        | 50                           | -                     | -                           | 50                             | -                     | 50                                       |
| <i>Deputy Mayor</i> | 28                           | -                     | -                           | 28                             | -                     | 28                                       |
| <i>Councillors</i>  | 101                          | -                     | -                           | 101                            | 3                     | 104                                      |
| <b>Total</b>        | <b>179</b>                   | <b>-</b>              | <b>-</b>                    | <b>179</b>                     | <b>3</b>              | <b>182</b>                               |

<sup>1</sup> Superannuation means the contribution to the superannuation fund of the individual.

<sup>2</sup> Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

<sup>3</sup> Other benefits includes all other forms of allowances, including kilometre reimbursement for travel (excludes reimbursements such as non motor vehicle travel, accommodation or meals) and any other compensation paid and payable.

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**(iii) Key Management Personnel Remuneration**

| 2018         | Remuneration band     | Number of employees | Short term employee benefits |  |                       |  | Post employment benefits     |                                       |                                   | Non-monetary Benefits <sup>8</sup> | Total      |
|--------------|-----------------------|---------------------|------------------------------|--|-----------------------|--|------------------------------|---------------------------------------|-----------------------------------|------------------------------------|------------|
|              |                       |                     | Salary <sup>1</sup>          | Short-term Incentive Payments <sup>2</sup> | Vehicles <sup>3</sup> | Other Allowances and Benefits <sup>4</sup> | Super-annuation <sup>5</sup> | Other Long-term Benefits <sup>6</sup> | Termination Benefits <sup>7</sup> |                                    |            |
|              |                       |                     | \$                           | \$   | \$                    | \$   | \$                           | \$                                    | \$                                | \$                                 | \$         |
|              | \$40 001 - \$60 000   | 1                   | 34                           | -  | -                     | -  | 3                            | -                                     | -                                 | 3                                  | 40         |
|              | \$80 001 - \$100 000  | 1                   | 82                           | -  | 12                    | -  | 12                           | -                                     | -                                 | (6)                                | 100        |
|              | \$120 001 - \$140 000 | 1                   | -                            | -  | -                     | -  | -                            | -                                     | -                                 | -                                  | -          |
|              | \$140 001 - \$160 000 | 1                   | 113                          | 3  | 12                    | -  | 17                           | -                                     | -                                 | 7                                  | 151        |
|              | \$160 001 - \$180 000 | 1                   | 125                          | 3  | 12                    | -  | 18                           | -                                     | -                                 | 8                                  | 166        |
| <b>Total</b> |                       |                     | <b>354</b>                   | <b>6</b>                                   | <b>36</b>             | <b>-</b>                                   | <b>50</b>                    | <b>-</b>                              | <b>-</b>                          | <b>12</b>                          | <b>457</b> |

**(iii) Key Management Personnel Remuneration**

| 2017         | Remuneration band     | Number of employees | Short term employee benefits |  |                       |  | Post employment benefits     |                                       |                                   | Non-monetary Benefits <sup>8</sup> | Total      |
|--------------|-----------------------|---------------------|------------------------------|--|-----------------------|--|------------------------------|---------------------------------------|-----------------------------------|------------------------------------|------------|
|              |                       |                     | Salary <sup>1</sup>          | Short-term Incentive Payments <sup>2</sup> | Vehicles <sup>3</sup> | Other Allowances and Benefits <sup>4</sup> | Super-annuation <sup>5</sup> | Other Long-term Benefits <sup>6</sup> | Termination Benefits <sup>7</sup> |                                    |            |
|              |                       |                     | \$                           | \$   | \$                    | \$   | \$                           | \$                                    | \$                                | \$                                 | \$         |
|              | \$40 001 - \$60 000   | 1                   | 37                           | -  | -                     | -  | 4                            | -                                     | -                                 | 5                                  | 46         |
|              | \$100 001 - \$120 000 | 1                   | 79                           | -  | 12                    | -  | 11                           | -                                     | -                                 | 8                                  | 111        |
|              | \$120 001 - \$140 000 | 1                   | -                            | -  | -                     | -  | -                            | -                                     | -                                 | -                                  | -          |
|              | \$140 001 - \$160 000 | 1                   | 116                          | -  | 12                    | -  | 17                           | -                                     | -                                 | 10                                 | 155        |
|              | \$160 001 - \$180 000 | 1                   | 126                          | 3  | 12                    | -  | 19                           | -                                     | -                                 | 13                                 | 172        |
| <b>Total</b> |                       |                     | <b>358</b>                   | <b>3</b>                                   | <b>36</b>             | <b>-</b>                                   | <b>51</b>                    | <b>-</b>                              | <b>-</b>                          | <b>36</b>                          | <b>484</b> |

<sup>1</sup> Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

<sup>2</sup> Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. [This includes such items as retention bonuses in culmination with termination.]

<sup>3</sup> Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

<sup>4</sup> Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

<sup>5</sup> Superannuation means the contribution to the superannuation fund of the individual.

<sup>6</sup> Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; other non-monetary benefits (such as housing, subsidised goods or services etc).

<sup>7</sup> Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

<sup>8</sup> Other non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc)

The General Manager is employed by Tasman Council and contracted to Sorell Council under a shared services contract. The Sorell Council reimbursed Tasman Council \$128,912 (2016/2017 - \$129,306) under this contract.

**(iv) Remuneration Principles**

**Councillors**

Remuneration levels for Councillors are set by the Department of Premier and Cabinet and reviewed annually in November. Expense reimbursement is paid for the travel to and from Council meetings.

**Executives**

Remuneration levels for key management personnel are set in accordance with the specifications of each individual position and in line with market conditions.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, Council also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the General Manager, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the General Manager, contain a termination clause that requires the senior executive or Council to provide a minimum notice period prior to termination of the contract. Whilst not automatic, contracts can be extended.

**Short term incentive payments**

The Council sets fixed performance targets with goals and indicators aligned to the position description, annual and strategic plans. Where an employee has exceeded the set targets and KPI's a bonus not exceeding \$2,500 may be approved.

Short term incentive payments awarded during the current year were paid for delivering successful outcomes in excess of set targets.

**Termination benefits**

No termination payments were made during the current year to Key Management Personnel.

**(v) Transactions with subsidiaries, associates and joint ventures**

Council did not enter into any transactions with any subsidiaries, associates or joint ventures.

**(iv) Transactions with related parties**

During the period Council entered into the following transactions with related parties.

Council purchased the following materials from entities that are controlled by members of key management personnel. All purchases were at arms length and were in the normal course of Council operations.

| <i>Nature of the transaction</i> | <i>Amount of the transactions during the year</i> | <i>Outstanding balances, including commitments at year end</i> | <i>Terms and conditions</i> | <i>Provisions for doubtful debts related outstanding balances</i> | <i>The expense recognised during the period relating to bad or doubtful debts due from related parties</i> |
|----------------------------------|---|--|-----------------------------|---|--|
| Supply of materials <sup>1</sup> | \$8,534   | Nil  | 30-day terms on invoices    | Nil   | Nil  |

<sup>1</sup> Council purchased miscellaneous materials during the year from Rural Solutions Tasmania Pty Ltd, a company which has a member of Councils KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

In accordance with s84(2)(b) of the *Local Government Act 1993*, no interests have been notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.

**(v) Transactions with related parties that have not been disclosed**

Most of the entities and people that are related parties of council live and operate within the municipality. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates on a primary residence;
- Dog registration;
- Use of Council's community facilities

Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

**Note 10.2 Special committees and other activities**

Council has the following Special Committees:

- Copping Hall and Reserves Committee;
- Dunalley Hall and Reserves Committee; and
- Primrose Sands Hall Committee.

The above Special Committees financial transactions were included with Council's and resulted in Consolidated Financial Statements being prepared for the year ended 30 June 2018.

**Note 10.3 Other significant accounting policies and pending accounting standards**

**(a) Taxation**

Council is exempt from all forms of taxation except Fringe Benefits Tax, Land Tax, Payroll Tax and the Goods and Services Tax.

*Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(b) Impairment of assets**

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Other Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

**(c) Allocation between current and non-current**

In the determination of whether an asset or liability is 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 twelve months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

**(d) Financial guarantees**

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

**(e) Contingent assets, contingent liabilities and commitments**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value inclusive of the GST payable.

**(f) Budget**

The estimated revenue and expense amounts in the Statement of Other Comprehensive Income represent revised budget amounts and are not audited.

**(g) Adoption of new and amended accounting standards**

In the current year, Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

**(i) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This standard is applicable to annual reporting periods beginning on or after 1 January 2017.

Amendments to AASB 107 require additional disclosures to enable the reader to evaluate change in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities. Council has included a reconciliation of liabilities arising from financing activities in the Statement of Cash Flows at note 9.3.

**Note 10.3 Other significant accounting policies and pending accounting standards (cont.)**

**(h) Pending Accounting Standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

**(i) AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

This standard replaces the existing standard, AASB139: *Financial Instruments: Recognition and Measurement*, and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by an entities business model for holding the particular asset and its contractual cash flows.

The amortised cost model is available for debt assets meeting both a business model and cash flow characteristics tests. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments. Where the business model is achieved by both collecting the contractual cash flows and from selling the financial asset, it may be classified as fair value through other comprehensive income. Any financial asset not held in either of these classifications, or where designated, will be classified as fair value through profit or loss. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or, where the financial asset is an equity instrument not held for trading, and an irrevocable election is made to present all movements in other comprehensive income.

When adopted, the standard requires Council to reclassify all financial assets. This includes Council's classification and accounting for its significant investment in TasWater which is an available-for-sale financial asset. Council currently recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB9 Council will make an irrevocable election for its equity investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses, however the standard is not expected to have a material impact overall. Council is yet to determine other impacts on the classification, measurement and disclosure of financial instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

Council will apply the standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but will require a reconciliation of changes in classification of financial assets and financial liabilities.

**(ii) AASB 15 Revenue from Contracts with Customers**

The standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council has analysed the new revenue recognition requirements noting that future impacts include:

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).
- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific, will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants will continue being recognised as revenue upfront assuming no change to the current grant arrangements.

For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations, but where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received in note 2.4. Council's assessment is that the majority of the amounts received unexpended for the year, \$0, will be deferred as a liability under AASB15 and progressively recorded as income as performance obligations are fulfilled.

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

**Note 10.3 Other significant accounting policies and pending accounting standards (cont.)**

**(iii) AASB 1058 *Income of Not-for-Profit Entities***

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 *Contributions*. The timing of income recognition under AASB 1058 depends on whether a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to an asset (such as cash or another asset) received.

AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the asset is principally to enable Council to further its objectives. In cases where Council enters into other transactions, Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*).

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will recognise income as it satisfies its obligations under the transfer, similarly to income recognition in relation to performance obligations under AASB 15 as discussed above.

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council has not yet determined the number of Peppercorn leases, and the resultant recognition of right-of-use lease assets and lease liabilities. The balance will be adjusted against Accumulated surpluses.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises income when received. Under AASB 1058, income is recognised when the taxable event has occurred. An impact for Council is that prepaid rates received prior to the beginning of a rating period, will now be recognised as a financial liability until the commencement of that rating period. The impact to Council will be that revenue recognised when received from *Rates and charges in advance* as disclosed in note 2.1, will now be recorded as a liability, with revenue deferred until the commencement of the applicable rating period.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has not yet assessed these requirements.

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

**(iv) AASB 16 *Leases***

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 will result in most of Council's operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Councils existing lease commitments are disclosed in Note 9.9.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges. Council's current operating lease expenditure is shown at Note 3.6. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.

Lessor accounting under AASB 16 remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

**(v) AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB10 and AASB12* and AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections***

This standard is applicable to annual reporting periods beginning on or after 1 January 2022.

The amendments address an acknowledged inconsistency between the requirements in AASB10, and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB 2017-5 defers the effective date of AASB 2014-10 to 1 January 2022

Council is yet to determine the impact of this change.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to Council's activities, or have no material impact.

**Note 10.4 Significant Business Activities**

Council has assessed the Significant Business Activities regulations and found there to be no activities that meet the regulations.



**Note 10.5 Management indicators**

|  | Benchmark | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
|--|-----------|----------------|----------------|----------------|----------------|
| <b>(a) Underlying surplus or deficit</b>                       |           |                |                |                |                |
| Net result for the year  |           | (991)          | 3,596          | 12,561         | 5,826          |
| Less non-operating income                                      |           |                |                |                |                |
| Capital Income   |           | 1,624          | 2,502          | 12,912         | 1,828          |
| Donations  |           | 0              | -              | -              | 228            |
| Commonwealth Financial Assistance Grant<br>received in advance |           | (6)            | 1,076          | (1,145)        | 1,145          |
| Add non-operational expenses                                   |           | -              | -              | -              | -              |
| Underlying surplus / (deficit)                                 | 0         | (2,609)        | 18             | 794            | 2,625          |

The intent of the underlying result is to show the outcome of a council's normal or usual day to day operations.

2018 result is impacted by disposals totalling \$3.5m of fixed assets

**(b) Underlying surplus ratio**

|                               |    |         |        |        |        |
|-------------------------------|----|---------|--------|--------|--------|
| Underlying surplus or deficit |    | (2,609) | 18     | 794    | 2,625  |
| Recurrent income*             |    | 14,679  | 17,515 | 16,901 | 17,484 |
| Underlying surplus ratio %    | 0% | (18%)   | 0%     | 5%     | 15%    |

This ratio serves as an overall measure of financial operating effectiveness.

2018 result is impacted by disposals totalling \$3.5m of fixed assets

**(c) Net financial liabilities**

|                           |   |       |       |       |       |
|---------------------------|---|-------|-------|-------|-------|
| Liquid assets less        |   | 8,342 | 7,174 | 8,336 | 7,345 |
| total liabilities         |   | 4,781 | 4,861 | 5,032 | 5,298 |
| Net financial liabilities | 0 | 3,561 | 2,313 | 3,304 | 2,047 |

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets

Council exceeds benchmark

**(d) Net financial liabilities ratio**

|                                   |            |        |        |        |        |
|-----------------------------------|------------|--------|--------|--------|--------|
| Net financial liabilities         |            | 3,561  | 2,313  | 3,304  | 2,047  |
| Recurrent income*                 |            | 14,679 | 17,515 | 16,901 | 17,484 |
| Net financial liabilities ratio % | 0% - (50%) | 24%    | 13%    | 20%    | 12%    |

This ratio indicates the net financial obligations of Council compared to its recurrent income.

Council exceeds benchmark

**(e) Asset consumption ratio**

An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

*Transport Infrastructure*

|                              |         |         |         |         |
|------------------------------|---------|---------|---------|---------|
| Depreciated replacement cost | 138,080 | 134,511 | 132,210 | 134,057 |
| Current replacement cost     | 210,361 | 221,685 | 217,017 | 220,259 |
| Asset consumption ratio %    | 66%     | 61%     | 61%     | 61%     |

*Buildings*

|                              |        |        |        |        |
|------------------------------|--------|--------|--------|--------|
| Depreciated replacement cost | 19,611 | 19,679 | 19,918 | 21,089 |
| Current replacement cost     | 24,235 | 23,655 | 23,313 | 24,042 |
| Asset consumption ratio %    | 81%    | 83%    | 85%    | 88%    |

*Drainage*

|                              |        |        |        |        |
|------------------------------|--------|--------|--------|--------|
| Depreciated replacement cost | 34,296 | 36,082 | 22,882 | 16,455 |
| Current replacement cost     | 48,138 | 47,388 | 33,420 | 26,609 |
| Asset consumption ratio %    | 71%    | 76%    | 68%    | 62%    |

This ratio indicates the level of service potential available in Council's existing asset base.

Council is satisfied with level of achievement of this ratio

Note 10.5 Management indicators (cont.)

2018  
\$'000

2017  
\$'000

2016  
\$'000

2015  
\$'000

(f) Asset renewal funding ratio

An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

*Transport Infrastructure*

|  |         |        |        |        |        |
|--|---------|--------|--------|--------|--------|
| <u>Projected capital funding outlays**</u> |         | 63,682 | 76,900 | 31,500 | 35,000 |
| Projected capital expenditure funding***   |         | 63,000 | 66,500 | 29,748 | 29,957 |
| Asset renewal funding ratio %              | 90-100% | 101%   | 116%   | 106%   | 117%   |

*Buildings*

|  |         |       |       |       |      |
|--|---------|-------|-------|-------|------|
| <u>Projected capital funding outlays**</u> |         | 9,377 | 9,079 | 2,394 | 900  |
| Projected capital expenditure funding***   |         | 9,702 | 9,329 | 648   | 424  |
| Asset renewal funding ratio %              | 90-100% | 97%   | 97%   | 369%  | 212% |

*Drainage*

|  |         |       |       |      |     |
|--|---------|-------|-------|------|-----|
| <u>Projected capital funding outlays**</u> |         | 7,684 | 8,064 | 395  | 0   |
| Projected capital expenditure funding***   |         | 7,920 | 8,075 | 260  | 259 |
| Asset renewal funding ratio %              | 90-100% | 97%   | 100%  | 152% | 0%  |

\*\* Current value of projected capital funding outlays for an asset identified in Council's long-term financial plan.

\*\*\* Value of projected capital expenditure funding for an asset identified in Council's long-term strategic asset management plan. This ratio measures Council's capacity to fund future asset replacement requirements.

(g) Asset sustainability ratio

|  |      |       |       |       |       |
|--|------|-------|-------|-------|-------|
| <u>Capex on replacement/renewal of existing assets</u> |      | 4,678 | 5,645 | 2,405 | 3,220 |
| Annual depreciation expense                            |      | 5,126 | 5,014 | 4,702 | 4,185 |
| Asset sustainability ratio %                           | 100% | 91%   | 113%  | 51%   | 77%   |

This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base.

On average, Council meets target

| 2018                     | Capital renewal expenditure<br>\$'000 | Capital new /upgrade expenditure<br>\$'000 | Total Capital Expenditure<br>\$'000 |
|--------------------------|---------------------------------------|--|-------------------------------------|
| By asset class           |                                       |  |                                     |
| Transport infrastructure | 4,071                                 | 1,455                                      | 5,526                               |
| Stormwater               | -                                     | 107  | 107                                 |
| Land and buildings       | 126                                   | 393  | 519                                 |
| Other                    | 481                                   | 102  | 583                                 |
| <b>Total</b>             | <b>4,678</b>                          | <b>2,057</b>                               | <b>6,735</b>                        |

| 2017                     | Capital renewal expenditure<br>\$'000 | Capital new /upgrade expenditure<br>\$'000 | Total Capital Expenditure<br>\$'000 |
|--------------------------|---------------------------------------|--|-------------------------------------|
| By asset class           |                                       |  |                                     |
| Transport infrastructure | 5,103                                 | 1,566                                      | 6,669                               |
| Stormwater               | 63                                    | 130  | 193                                 |
| Land and buildings       | 79                                    | 306  | 385                                 |
| Other                    | 400                                   | 721  | 1,121                               |
| <b>Total</b>             | <b>5,645</b>                          | <b>2,723</b>                               | <b>8,368</b>                        |

**Note 10.6 Material Budget Variations**

Council's original budget was adopted by the Council on 20 June 2017. 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, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

**Revenues**

**1 Statutory fees and fines**

Revenue for this category was above budget by \$102k (31%) as a result of increased activity in town planning fees. The Sorell municipality continues to enjoy population growth in excess of the state average.

**2 User fees**

In line with the above, the population growth in Sorell has also resulted in additional user fee income in the areas of plumbing, building and animal management.

**3 Grants**

The variation for operating was up \$1,060,000 on budget (97%) due to the early receipt of Commonwealth funding. The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. Since 2011-12 the Commonwealth has been making early payment of the two quarterly instalments for the following year. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The effects of the early receipt of instalments each year has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2016-17 by \$1,000,000 and 2017-18 by \$1,000,000. This has impacted the Statement of Comprehensive Income resulting in the surplus/(deficit) being higher in both years by these amounts. With fewer instalments due to be received in 2018-19, the reverse effect may occur, however future payments remain at the Commonwealth's discretion.

**Expenses**

All expenditure categories were within 10% of budget and did not experience any material variances.

## CERTIFICATION OF THE FINANCIAL REPORT

The financial report presents fairly the financial position of the Sorell Council as at 30 June 2018, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the Local Government Act 1993 (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Robert Higgins  
General Manager

Date: 28/09/2018



### Independent Auditor's Report

To the Councillors of Sorell Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Sorell Council (Council), which comprises the statement of financial position as at 30 June 2018 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2018 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

#### Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

My audit responsibility does not extend to the budget figures included in the financial report and the asset renewal funding ratio disclosed in note 10.5 to the financial report and accordingly, I express no opinion on them. Furthermore, I express no opinion on the General Manager's determination that Council did not have any Significant Business Activities for inclusion in the financial report as required by Section 84(2)(da) of the *Local Government Act 1993*.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the General Manager for the Financial Report**

The General Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993* and for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the General Manager is responsible for assessing Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council is to be dissolved by an Act of Parliament or the Councillors intend to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager.
- Conclude on the appropriateness of the General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit

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evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Rob Luciani  
**Director Financial Audit Services**  
**Delegate of the Auditor-General**

**Tasmanian Audit Office**

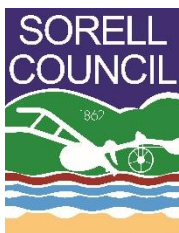
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