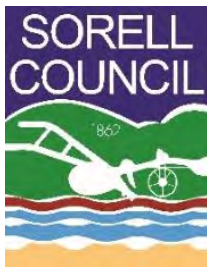




# Annual Report 2018 - 2019



## **OUR PURPOSE**

To facilitate a vibrant, sustainable and liveable South East Region.

## **OUR VISION**

A proud, thriving and inclusive South East Community.

## **OUR VALUES**

### **INTEGRITY**

We work in good faith, are honest and forthcoming and take accountability for our decisions.

### **UNITY**

We work cohesively as one Council, supporting our community and each other to achieve better outcomes.

### **RESPECT**

We listen to and consider the opinions and input of each person and acknowledge each other's contribution.

### **INNOVATION**

We are committed to finding new solutions, adapting to change and continuously improving in order to deliver the best outcomes for the community.

# SORELL COUNCIL

## Annual Report 2018 – 2019

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Sunnyside Bridge on Nugent Road was replaced



## ABOUT SORELL

Established in 1862, the Sorell Municipality is one of Tasmania's oldest. Located 25 kilometres from Hobart in the south-east of Tasmania, the Municipality covers 583 square kilometres of rolling countryside, low forested hills and the coastline of the spectacular Southern Beaches.

Rich in history, the Municipality has a vibrant arts community and is popular for its relaxed rural lifestyle and unique townships. It is home to one of Australia's oldest continuously operating schools and the regional sporting complex of Pembroke Park. The Southern Beaches area, once a traditional shack settlement, has 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 significantly swells the population of this area.

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. It includes a bustling shopping district with numerous cafes, specialty shops, major supermarket chains, well known branded food outlets, pubs and hotels. Government services include Service Tasmania and Centrelink. Additional services include major banks, medical facilities, post office, real estate agencies and chemists.

Sorell also provides a strategic gateway to two of the State's busiest highways. Each year, in excess of 370 000 tourists travel through our Municipality on the Arthur Highway to the Tasman Peninsula, and on the Tasman Highway to the picturesque East Coast.

The Sorell Municipality continues to attract people with its affordable housing and close proximity to services and the city. The Department of Treasury and Finance's 2019 population projections confirm that Sorell is still one of the fastest growing municipality's, experiencing 3.0% growth in the period June 2017 to June 2018. Forecast growth over the next twenty five years is more than 3.6 times the state average.

**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 5.30pm on Tuesday 10 December 2019 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: PO BOX 126, Sorell TAS 7172.

Submissions must be received by close of business Tuesday 3 December 2019.

## MAYORS REPORT

The 2018-2019 financial year was an extremely productive year for Council, with much progress made in planning for our community's future.

Council developed and endorsed the new ten year Strategic Plan, which will guide our forward thinking and planning for the future. Our vision for our community for the next ten years includes facilitating regional growth, increased community confidence in Council, to ensure a liveable and inclusive community and responsible stewardship and a sustainable organisation. These objectives contain examples of what our success will look like and outlines actions for how we will deliver them.

Our purpose is to facilitate a vibrant, sustainable and liveable South East Region. This means we need to provide for our community's current living and plan for their future living.

Our community continues to grow with estimates seeing our forecast growth for the next 25 years as more than 3.6 times the state average. This growing community places an increased demand on Council's core services and also has a requirement for new facilities, infrastructure and recreational spaces. This places strain on Council's limited budget and we continue to look for new ways to provide the best for our community with the resources we have.

Council's Tracks and Trails saw further positive progress throughout the year. Additional stages of the Orielson Lagoon Loop were finished and planning for an Open Space Strategy began. Our Tracks and Trails remain very popular with our community and they are a positive improvement to the liveability and connectivity of the region.

The State Government's infrastructure projects have highlighted the necessity to continue our streetscape plans through the Sorell Township. Ensuring our streets are well maintained, easy to navigate and inviting is vital to encouraging people to visit, stay, shop and dine in our local establishments. Council has also continued streetscaping works in our main townships to improve pedestrian safety and traffic flow.

Andrew Hyatt started in the role of SERDA Workforce Engagement and Development Officer at the start of 2019. SERDA successfully applied to the Tasmania Community Fund for this three year role, which covers the South East Region from the East Coast at Swansea down to Nubeena on the Tasman Peninsula, through Sorell and across the Coal Valley. Andrew has been working with our community employers, industry groups, trade training centres and registered training authorities to support, encourage and train for local employment across our region. Local jobs for local people is a core focus of Andrew's role. Planning for the South East Employment Hub also progressed, with its doors opening on 1 July 2019. The Hub is a community designed initiative providing a flexible response to community needs and delivering employment services to participants in their local area. These programs will help us work towards a vibrant, sustainable and liveable South East Region.

The Sorell Land Supply Strategy was updated in June. This Strategy ensures we are planning for our future growth and ensuring that enough land is available to house our additional



residents, provide them with local employment opportunities, and ensure activity centres can function effectively. Growth expansion concept plans are included and demonstrate that the selected sites can be developed in a way that will integrate with the surrounding land uses.

The State Government's commitment to road and infrastructure projects in our Municipality have made progress. The Sorell School redevelopment has also progressed with community engagement undertaken and concept plans beginning to take shape. These projects are vital to meeting the requirements of our community now and well into the future. The General Manager and I enjoy a constructive and practical relationship with many of our Parliamentary Ministers, Local Members and Government Departments which assists us in our efforts to lobby effectively on behalf of our community.

Council will continue to lobby State and Federal Government for investment into our region to ensure our growing community's infrastructure needs are met, whilst we continue to deliver core services to them.

We received fantastic news for upgrades to Pembroke Park. This year Council successfully applied for a Levelling the Playing Field Grant with the State Government to build Unisex change rooms, and we also received commitments from State and Federal Governments for funding to build a stadium complex. Other works completed during the year at Pembroke Park to help improve the standard of the play for our local sporting clubs included an upgrade of the irrigation on the front oval, installation of seating at the netball courts, and construction of interchange benches on the back oval. These significant developments will help realise Council's vision to make Pembroke Park a sporting and recreation hub for the South East region.

The Sunnyside Bridge on Nugent Road was the last of our major bridges to be upgraded. This project entailed replacing the old timber bridge with a wider, two-lane concrete bridge with realigned approaches. The new bridge has a useful life of 100 years and provides improved community and heavy vehicle access. This important infrastructure project was made possible thanks to a 50% contribution from Round Three of the Federal Government's Bridges Renewal Program. I'm pleased to see that this important piece of infrastructure is now sound for many decades to come.

In August 2018 Amalgamations were put to rest for the time being, with Tasman Council voting against an amalgamation with Sorell. I am disappointed that our wider community didn't see the potential benefits of building a stronger region. The strength of our region remains a priority of Council's and we will continue to lobby for the recognition and funding of essential services and infrastructure that our growing community requires.

The October 2018 Local Government elections saw Deputy Mayor Brett McDonald, Councillor Graeme Evans and Councillor Lindsay White finish their time on Council. Graeme was a true grass roots Councillor, who had great involvement in many aspects of the community over the years. Lindsay left no doubt in your mind what he was thinking, and Brett fought hard for what he considered fair for rate payers and the community. I thank all three of you for all your efforts and commitment to serving your community. We welcomed new Councillors Beth

Nichols, Melinda Reed and Geoffrey Jackson to Council. All three have settled well into their new role as Councillors, and I have no doubt they will serve their community fairly, with passion and commitment.

Council were privileged to host a Municipal visit from Her Excellency Professor the Honourable Kate Warner, AC, Governor of Tasmania and Mr Warner in June. The General Manager and I sat with Her Excellency and Mr Warner to discuss major issues currently affecting the Municipality and then accompanied them on a tour of our community to various groups and businesses. The tour concluded with a Civic Reception held at the Dunalley Community Hall. This visit provided a wonderful opportunity for Council to highlight the diversity and strength of our community's activities and developments.

Our Community Conversations were again very popular during the year. All meetings held were well supported and provided a fantastic opportunity for the community to talk directly with Council about issues that matter to them in a casual environment. I value these meetings and the opportunity they provide for people to engage with Council and provide their thoughts and ideas on the day to day running of our community.

I've been pleased to see several of the younger staff members in the Council Offices growing in confidence and stepping up to new roles to diversify their skills and experience. Council Officers continued to work very well within the confines of a small Council and I commend what they are able to achieve with limited budget and resources to provide the best possible outcomes for the community. The increased utilisation of technology in our asset management program sees staff using iPads in the field to conduct inspections which update the system in real time. This means accurate data flows from field to office without being double handled and assists in increasing operational efficiencies.

In closing, I'd like to thank Council's management, staff and my fellow Councillors for their ongoing efforts and commitment to the positive growth and development of our Municipality and region.

**Kerry Vincent**  
**Mayor**





A Taste of Thai event at Sorell Memorial Hall

## GENERAL MANAGERS REPORT

Council performed exceptionally well during 2018-2019 - not only against our own expectations but within a challenging environment set by our residents, business operators, tourists, visitors and State and Federal governments. We remained focused, responsible and responsive in delivering a range of contemporary local government services from a small but growing peri-urban / rural Council.

Sorell Council has been very fortunate to have a cohesive and considered elected member representative body since at least the commencement of my tenure in 2013. There is no shortage of independent thought and scrutiny but it is carried out respectfully and with an awareness of relativity toward our modest organisational size and resourcing limitations.

For those Councillors who did not run at the 2018 elections, I thank them for their support and humour over the prior five years and also want to acknowledge our new replacement Councillors who have slotted into their roles.

There are very few Councils in Tasmania in this situation. The role of a Councillor is not easy even for rural and regional Councils where the complexities around governance, compliance, asset management and financial sustainability are challenging for 'non-expert' community members having to sit and act as a Board. There is no option for them but to consider and act appropriately.

Council developed a new 10 year Strategic Plan and associated Annual and (internal) Operational Plans. The resetting of our focus over this time frame with the elected members and community is expected to deliver better outcomes for the municipal area and south east region. Please note the reporting of Annual Plan performance further in this Annual Report is based on the final year of the prior Strategic Plan.

Our facilitation and engagement efforts were rewarded with significant State and Federal Government support for crucial infrastructure for the south-east. Commitments for transport solutions, education, recreation and marine assets and emergency services were gladly received – our population growth over the next twenty years is forecast to be more than 3.6 times the State average. Further assistance was provided by the State Government to undertake a Stage 1 Expression of Interest to market test the Dunalley Marina project. The EOI is programmed to be released prior to the end of 2019.

We will continue to focus our efforts on evidence based, cogent and civilized advocacy and engagement to deliver the requisite government infrastructure and services our region requires as they are of a scale Council is unable to procure or afford. The range of organisations we engage with and to whom we are grateful for their genuine effort include the Departments of State Growth, Education and Police, Fire and Emergency Management, Crown Land Services, Tasmanian Irrigation, MAST, SERDA, South East Trade Training Centre, UTas, TasWater and Hobart Airport Corporation.

Council's Audit Panel continued to evolve their focus, value add mindset and pragmatic approach to best serve the organisation whilst satisfying their statutory obligations. Risk



management and WHS performance in any organisation is paramount regardless of the size. Expectations around accountability and responsibility for the employer and employees continue to grow. For smaller councils it presents a challenge to secure fit for purpose specialised expertise. The Audit Panel has participated in assisting the organisation to meet the challenges with the staff also playing a vitally important role in how they conduct their operations and commit to a culture of continuous improvement.

In my time working for Local Government and more so the last eight years as a General Manager, the significant increase and associated burden which continues to grow in governance and compliance has highlighted inherent inefficiencies, duplication and costs of running 29 businesses that serve a reasonably static population of 500k people. How the industry believes this is the most sustainable and capable model to serve a dispersed and only modestly wealthy State continues to elude me. For non-metropolitan Councils who do not have the benefit of rate dense commercial and industrial land, the situation will become more critical. I would submit that adopting a regional catchment basis to determine a sustainable and equitable distribution of population, assets, land use and revenue generation would instead provide a realistic critical mass assessment.

With another 12 months under our belt it is interesting to observe and deal with community and government perceptions of what is occurring at Sorell with regard to population and development growth and how that relates to expectations on service and asset delivery and Council's financial position. The following is an extract of a Mercury article Council provided earlier this year:

*The Sorell LGA is projected to be in the top two fastest growing municipal areas from 2017 to 2042 – 1.15% per annum compared to the State average of 0.2% per annum.*

*From the outside, this should be all positive. It does, however, present challenges for Council. Growth in residential rate revenue is not sufficient for Council to sustainably meet demand for new and upgraded assets and Council services. Without the release of more rate dense land, e.g. Light Industrial, Council's long term financial forecast does not align with community expectations. Rate increases above inflation, grant funding or other forms of revenue generation will be needed to avoid the status quo.*

*Regional employment and access to transport are key components. ABS data in 2015 indicated 74% of Sorell's population leaves the municipality to work principally in the Hobart metropolitan area. Access to local quality education and training opportunities are further imperatives to easing pressure on transport systems and increasing capacity and self-reliance. Labour force projections in 2017 pointed to demand for an additional 1900-2000 jobs into the south-east by 2020. This too is growing.*

*Council's most effective role is to advocate and facilitate with Federal and State government and the NFP and development sectors as the providers of capital, infrastructure and services aligned with demographic and economic projections.*

My view is that challenges associated with strong population and development growth are positive and certainly preferable to those faced by many rural and regional Councils across Australia. That is, forecast population decline and associated socio-economic capacity and

resilience combined with limited development and economic activity. The ability to generate sufficient rate revenue from a shrinking and less wealthy population to provide a contemporary range of services and asset quality will be difficult for those Councils to overcome.

Whilst Sorell supported a voluntary amalgamation with Tasman Council in early 18/19, Tasman were unable to support the recommendation of the Local Government Board. The year prior both Clarence City and Glamorgan Spring Bay Councils determined to retain their status quo and effectively removed themselves from the project.

Our role in the provision of Common Service functions was reviewed as a result of staff turnover, development pressures and sustainable business practices. Council now only supplies ICT functions on an ongoing basis to Tasman and Glamorgan Spring Bay and with GIS services on an as needed basis. Sorell's sealed road crew have performed pavement repair and reseal preparation works for Tasman during 2018-2019 and it is hoped this continues into the future. Significant heavy and medium plant purchases were made by both Councils with the associated business case predicated on an ongoing commitment to this arrangement.

The Common Service arrangements are in contrast to prior years where we were providing over ten professional services to Tasman alone. There is a resulting loss of revenue to Sorell Council of approximately \$300k associated with these changes that has to be offset against increasing population and development growth demands across the municipal area and a suitably resourced and resilient staff team.

Council concluded a significant parcel of work in the preparation and submission of the Local Provisions Schedule (LPS) to the Tasmanian Planning Commission. This is yet another draft Planning Scheme based on a uniform statewide template. Unlike the current 2015 Sorell Interim Planning Scheme, the draft LPS will be publicly exhibited with an associated hearing process for any submissions received before it is finalised. As part of this body of work, Council also revised our 2017 Land Supply Strategy by inputting recent development data and population projections provided by Treasury.

The Strategy establishes 20 year land supply options for residential, commercial and industrial development based on spatial and statistical drivers. The level of interest and investment in the municipal area has been surprising and welcome but also carries with it challenges for Council, the community and Government. Our role to influence the best outcomes for the community well into the future is not always straight forward with a number of competing interests, stakeholders, timelines and cost considerations. The organisation is certainly better prepared to demand higher quality outcomes.

Our Council land disposal program continued with the primary intention over time of rationalising what land the Council requires, its current and future function and associated costs. We have reached a point where the development of an Open Space Strategy in 2019-2020 will assist determining a longer term approach for the remaining more useful and valued parcels and how best to achieve connectivity and fit for purpose useability.

We continued our commitment to contemporary and fit for purpose asset management



practices including management documents, data accuracy, support system development, day to day application across the organisation and all culminating in better informed short, medium and long term financial decisions. This extends to the receipt of grant funded new and upgraded assets that then must be maintained and depreciated over the useful life of the asset type and financed through operating revenue – rates and fees and charges.

Sorell's financial position through 2018-2019 was sound and consistent with our 20 year forecast. We are incrementally shoring up our ability to maintain our operations regarding day to day functions, asset maintenance and asset replacement. As mentioned above, our ability to generate revenue to build new assets or upgrade existing assets is still extremely limited. Our potential new / upgraded project list exceeds \$40m with the 20 year forecast for available revenue indicating only fractional amounts each year that tally up to less than half this amount at the end of the 20 years.

The 2018-2019 budget delivered an end of year net surplus of \$5.239m against a budgeted surplus of \$0.524m, however, this was principally impacted by an increase in Operating Grant income of \$1.081m, Capital Grant income of \$0.960m and contributions of non-monetary assets to the value of \$1.804m (i.e. assets donated through subdivision development). This impact flowed into one of the key management indicators of the Tas Audit Office, the underlying position.

This comprises the net operating result of \$5.239m less non-operating capital income of \$4.073m, the net gain or (loss) on de-recognition/recognition of assets (\$0.074m) and Financial Assistance Grant's received in advance \$0.027m for an underlying surplus position of \$1.213m. For comparative purposes, the prior year positions have been – 2015-2016 surplus of \$0.794m, 2016-2017 surplus of \$0.018m and 2017-2018 a deficit of \$2.609m.

The 2018-2019 result will again be factored in to our 20 year long term financial plan to inform successive budgets, revenue requirements and if there is to be any impact on services. Contemporary/compliant asset and accounting treatment can significantly impact annual forecast budgets. It is imperative to utilise the forecasting functionality of the 20 year long term financial plan to model ongoing impacts.

Council delivered a capital works program of \$7.315m including a 95% asset sustainability ratio from \$4.885m of asset renewal/replacement, \$2.43m for new/upgraded assets and maintenance expenditure of \$2.749m. Our net assets and total equity all increased (including our cash position).

And finally, a big thank you to the staff who deliver a broad range of services, maintenance activities, capital works programs and genuine desire to do the very best for the community. We wouldn't suggest our organisation is perfect but without a doubt every day we try to improve our practices, processes and outcomes at the smallest possible cost to the ratepayer. We are aware of where we sit on the local government 'scale' index but proudly punch above our weight in what we do and how we do it.

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



Marion Bay

## YOUR COUNCILLORS

### TERMS OF SERVICE AND REPRESENTATIONS

#### Mayor Kerry Vincent

Terms as Councillor: 2009 - Present

Terms as Mayor: 2012 - Present

##### Committee Representations:

- Pembroke Park Advisory Committee – Chair
- Municipal Emergency Management Committee – Chair
- SERDA Workplace Planning Study
- South East Region Development Association – Chair
- Development Assessment Special Committee – Chair
- Copping Refuse Disposal Site Joint Authority
- Sorell Tasman Affected Area Recovery Committee
- TasWater
- Local Government Association of Tasmania
- Southern Tasmania Councils Authority
- Seniors Advisory Group



#### Deputy Mayor Natham Reynolds

Terms as Councillor: 2014 - Present

Term as Deputy Mayor: 2018 - Present

##### Committee Representations:

- Development Assessment Special Committee
- Sorell Code of Conduct Panel
- Pembroke Park Advisory Committee
- Copping Hall and Reserves Committee
- Sorell Streetscape Committee
- Local Government Association of Tasmania (proxy)



#### Councillor Kerry Degrassi

Terms as Councillor: 1996 - Present

Term as Mayor: 1999 - 2000

##### Committee Representations:

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





### Councillor Deborah De Williams

Terms as Councillor: 2014 - Present

Committee Representations:

- Development Assessment Special Committee
- Pembroke Park Advisory Committee
- Sorell Code of Conduct Panel
- Sorell Streetscape Committee
- Sorell Audit Committee
- Copping Refuse Disposal Site Joint Authority (proxy)



### Councillor Vlad Gala

Terms as Councillor: 2014 - Present

Committee Representations:

- Development Assessment Special Committee
- Sorell Audit Committee
- Dunalley Hall and Reserves Committee (proxy)



### Councillor Geoffrey Jackson

Term as Councillor: 2018 - Present

Committee Representations:

- Development Assessment Special Committee
- TasWater (proxy)
- Copping Hall and Reserves Committee (proxy)

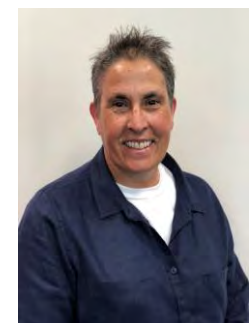


### Councillor Beth Nichols

Term as Councillor: 2018 - Present

Committee Representations:

- Development Assessment Special Committee
- Sorell Streetscape Committee





### Councillor Melinda Reed

Term as Councillor: 2018 - Present

Committee Representations:

- Development Assessment Special Committee
- Arts and Cultural Committee
- Waste Strategy South
- Sorell Audit Panel



### 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
- Arts and Cultural Committee



**Served until the October 2018 Local Government elections:**

### Deputy Mayor Brett McDonald

Terms as Councillor: 2007 - 2018

Terms as Deputy Mayor: 2011 - 2018

Committee Representations:

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



### Councillor Graeme Evans

Terms as Councillor: 1999 - 2018

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 Lindsay White

Terms as Councillor: 2011 - 2018

### Committee Representations:

- Development Assessment Special Committee
- East Coast Fire Management Committee



## COUNCILLOR ALLOWANCE AND EXPENSES

In 2018 - 2019 Council provided allowances and reimbursement for reasonable expenses to the Mayor, Deputy Mayor and Councillors.

Councillor allowance and expenses totalled \$196,000.

## COUNCILLOR ATTENDANCE

Name	Council Meeting		DASC Meetings		Workshops/ Briefings		AGM		Special/Other Meetings	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Mayor Kerry Vincent	12	12	18	18	10	9	1	1	5	4
Councillor Kerry Degrassi <sup>#</sup>	12	7	18	10	10	5	1	1	5	3
Councillor Deborah De Williams <sup>#</sup>	12	6	18	9	10	6	1	0	5	4
Councillor Vlad Gala	12	8	18	9	10	8	1	1	5	3
Councillor Geoffrey Jackson <sup>+</sup>	8	8	10	8	7	6	1	1	4	4
Councillor Beth Nichols <sup>+</sup>	8	8	10	9	7	6	1	1	4	4
Councillor Natham Reynolds	12	12	18	18	10	9	1	1	5	5
Councillor Melinda Reed <sup>+</sup>	8	8	10	8	7	6	1	1	4	3
Councillor Carmel Torenus	12	12	18	15	10	9	1	1	5	4
Councillor Graeme Evans <sup>*</sup>	4	4	8	8	3	3	0	0	1	1
Councillor Brett McDonald <sup>*</sup>	4	3	8	7	3	3	0	0	1	1
Councillor Lindsay White <sup>*</sup>	4	4	8	7	3	3	0	0	1	1

\* Served until the October 2018 elections

<sup>+</sup> Elected in the October 2018 elections

<sup>#</sup> Leave of Absence during the financial year



Betty Sumner from Uniting Age Well Ningana with Her Excellency Professor the Honourable Kate Warner, AC, Governor of Tasmania

## STATUTORY REPORTING

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

FUNDING ASSISTANCE FOR SPORTING REPRESENTATION	
Individual State Representation x 11	\$1,650.00
<b>Sub Total Funding Assistance</b>	<b>\$1,650.00</b>

YOUTH GRANTS	
1st Pittwater Scout Group	\$1,500.00
Bream Creek Farmers Market	\$750.00
Dodges Ferry Fire Brigade Junior Cadets	\$1,500.00
Dodges Ferry Junior Soccer Club	\$998.70
Okines Community House	\$1,500.00
Pittwater Neighbourhood House	\$250.00
Primrose Sands Parenting Group	\$1,000.00
Sorell Girl Guides	\$566.60
South East Suns Netball Association	\$1,000.00
<b>Sub Total Youth Grants</b>	<b>\$9,065.30</b>

COMMUNITY ASSISTANCE GRANTS	
Dunalley Volunteer Fire Brigade	\$750.00
Forcett Community Hall Committee	\$1,121.55
Jazz by the Sea	\$675.00
Midway Point Yacht Club	\$750.00
Orielton Hall Committee	\$1,467.00
Pittwater Art Group	\$750.00
Sea Rescue	\$1,320.35
Sorell Senior Football Club	\$1,500.00
Sorell RSL Sub Branch Inc.	\$750.00
Sorell Mens Shed & Heritage Museum	\$1,427.80
South East Boxing Club	\$1,425.00
South East Suns Womens Football Club	\$750.00
South East United Football Club	\$693.18
Southern Beaches Landcare/Coastcare	\$1,000.00
Southern Tasmanian Country Music Muster	\$1,500.00
Dunalley Volunteer Fire Brigade	\$750.00
<b>Sub Total Community Assistance Grants</b>	<b>\$18,442.00</b>

DONATIONS	
Art Acquisition Prize	\$1,500.00
Bream Creek Show Society	\$3,385.40
Combined Churches Carols by Candlelight	\$1,000.00
Dunalley Primary School	\$60.00
Forcett Community Hall	\$1,659.89



Primrose Sands Hall Committee	\$11,942.84*
Nugent Community Hall	\$1,303.51
Sea Rescue	\$2,000.00
Sorell Visitor Information Centre	\$100.00
<b>Sub Total Donations</b>	<b>\$22,951.64</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>\$50,446.82</b>
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\* When Primrose Sands Hall Special Committee became an incorporated association Council donated the balance of their bank account to them.

## **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**

Surplus for the year before income tax expense was \$2,872,978 (2017-2018 \$925,761), which was \$1,931,500 above budget. The major contributing factor to the result was an increase in gate waste receipts revenue, which was above budget by \$2,033,368. The total comprehensive surplus for the year was \$2,011,085 (2017-2018 \$590,063).

## 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 2018 - 2019 financial year.

Item	Description of Contract	Contract Period	Contract Value \$	Successful Contractor
1	Sunnyside Bridge Replacement	2 November 2018 – 8 April 2019	\$2,021,849.00	VEC
2	Reconstruction of Sugarloaf Road	29 April 2019 – 2 July 2019	\$546,994.35	Andrew Walters Construction
3	Reconstruction of Brinktop Road	12 February 2019 – 28 March 2019	\$551,167.00	Andrew Walters Construction
4	Road Resealing Program	September 2018 – February 2019	\$336,991.00	Rockit Asphaltting

## 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*.

#### **CODE OF CONDUCT**

The number of code of conduct complaints that were upheld either wholly or in part during the preceding financial year – None.

The total costs met by Council during the preceding financial year in respect of all code of conduct complaints dealt with during the preceding financial year – None.

#### **DONATION OF LAND STATEMENT**

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



## **PUBLIC HEALTH STATEMENT**

The Environmental Health section consists of the full time Manager Regulatory Services (who is a qualified Environmental Health Officer), a 3-day per week Environmental Health Officer, full time 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 licencing. 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 program, enforces by-laws, collects water samples, investigates environmental/nuisance and 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 attend these events and check 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 Connelly's Marsh Beach, which is moderate. Warning signs are 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. Typically these have been for failing septic tank systems and backyard burning.

Environment Protection Notices were issued to regulate trials of fish waste being applied to land as a fertiliser on several local properties.

Several food complaints were received included selling food beyond the used-by date, food containing allergens or foreign matter and food that was mouldy.

Council successfully implemented the new Tasmanian food business risk classification system

to all food businesses. This system classifies business based on the food safety risk from high to low risk. This resulted in a large number of businesses now being classified as high risk. Food business inspections were undertaken, which identified several food safety breaches and enforcement action was taken.

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 program was completed at Sorell School for grade 7 students.

There continues to be a high incidence of dogs attacking people and other animals. Officers typically resolve these incidents by seizing the dog and/or issuing infringement notices or prosecutions. The Animal Management Officers 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 also completed a number of property inspections and identified unregistered dogs.

334 fire abatement notices were issued in 2018-2019, which is significantly more than the 218 issued in the previous season. The majority of landowners complied with the notice, however when this did not occur, Council contractor cleared the land and charged the owner.

The Dodges Ferry Recycling Centre burnt down in spring 2018 after an arson attack. It has been rebuilt and is operating again. Numerous littering fines have been issued for dumping rubbish in public places or at the recycling centres.

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

## **Building and Plumbing**

Building and plumbing staff have been assessing strong application numbers and enforcing the *Building Act 2016*.

Building and plumbing staff commenced follow-ups of permits that have not been completed and are due to expire on 30 June 2020.

Fines were issued for a range of infringements such as undertaking work without a building and/or plumbing permit. Plumbing and building notices/orders issued typically related to defective stormwater, non-compliant plumbing work and converting outbuildings into habitable buildings without a permit.



Graeme Evans and Emma Keating joint Citizen of the Year 2019 recipients

## SORELL AUDIT PANEL REPORT

### SORELL COUNCIL

#### AUDIT PANEL REPORT 2018/2019

The Sorell Council Audit Panel is pleased to be able to present its Report for the year 2018/2019.

This Audit Panel is established pursuant to Section 85 of the *Local Government Act 1993* 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. The term of the independent members expired in March 2019 and in view of the uncertainty relating to the possible amalgamation of Sorell and Tasman Councils, the terms of the independent members were extended until March 2020 when hopefully the position will be clearer. In extending these terms, Council took the opportunity to refresh the panel by appointing Helen Galloway as Chair for this period. In addition Council elections took place in October 2018 and the two Councillors appointed were Cr. Deborah De Williams and Cr. Melinda Reed.

The members of the panel for the year were:-

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mrs Helen Galloway (Chair 1/4–30/6/19)	5	4
Mr David Sales (Chair 1/7– 31/3/19)	5	5
Mrs C. Pillans	5	5
Cr. Deborah De Williams	5	2
Cr. Vlad Gala	2	2
Cr. Melinda Reed	3	3

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 2018/19 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 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

- Reviewing 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.

All Panel meeting minutes are 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. The Audit Panel Charter was reviewed and submitted to council for approval in March 2019.

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. The Audit Panel Charter was reviewed and submitted to Council for approval in March 2019. The Audit panel completed a self-assessment of the Panels performance in the second quarter of 2018/2019.

The Panel would like to thank all staff, for their support to the Panel with any information and documentation required to fulfil the Panel's duties.





Boardwalk into Blue Lagoon Beach, Dodges Ferry

## ANNUAL PLAN REPORTING

Summary of strategies and initiatives of Key Focus Areas for the 2018 - 2019 financial year.

### 1.0 Identify, Scope and Attract Priority Infrastructure Projects

#### 1.1 **Continue to 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.**

Ongoing – Successful funding programs submitted and approved for:

- Black Spot Fund – Guardrail on Penna Road, Midway Point.
- Vulnerable Road Users Program - Pedestrian crossings and footpath upgrades at intersection of Old Forcett Road/Carlton Beach Road/Carlton River Road, intersection of Bay Road and Penna Road and a pedestrian walkway over China Creek on Lewisham Scenic Drive.
- Healthy Tasmania Grant – Completion of additional loop of the Orielton Lagoon Loop pathway within Miena Park.
- Federal Government's Building Better Communities Program - \$20,000 to upgrade the Sorell Skate Park.
- Tasmania Community Fund – Upgrade of access and DDA compliant toilet at Sorell Football Club rooms at Pembroke Park.
- Department of Education – Commitment to fund 50% of the irrigation line to Dodges Ferry Primary School and recreation ground.
- Communities, Sport & Recreation – Levelling the Playing Field Program for new unisex change rooms at Pembroke Park.
- Communities, Sport & Recreation – Upgrade to Pembroke Park Junior Oval Cricket Pitch.

**Pursue commitments to the implementation of the SERDA South East Economic Infrastructure Strategy from partner stakeholders and agencies.**

In Progress – Continued communication with all political parties, local members and State agencies with definitive State Government progress on Education and Transport.

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### 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.**



Several new agricultural businesses have established themselves in the Orielton zone with associated capital investment on infrastructure.

**Investigate the extension of the irrigation scheme to service Dodges Ferry School and recreation ground.**

Funding for the extension secured with Department of Education. Contract to be awarded in the first quarter of 2019-2020 financial year.

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### 1.3 INFRASTRUCTURE PROJECTS

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

Awaiting TasWater to complete growth and capacity plans for Midway Point and Sorell. TasWater is also considering, at Council's request, the future of the Dodges Ferry sewerage lagoons.

**Continue the reinvigoration of the Sorell CBD through the continued upgrading of streetscape elements and implementation of contemporary urban design including consideration of the Sorell Cultural Precinct Concept and Business Case linkages and impacts.**

Completed the remaining concrete footpath renewal section along Main Road. Limited capital available to upgrade streetscape assets.

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

Council 20 Year Land Supply strategy updated to include Department of Treasury's new population projections and submitted as part of Council's LPS to the Planning Commission.

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

C Cell now in operation and Copping is receiving more landfill material.

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### 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.**

The Mayor and some Councillors have been involved with workshops associated with the development of the Sorell School project education brief which needs to be finalised before detailed design can commence.

**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.**

Workforce Engagement and Development Officer appointed and has commenced liaising with industry and training organisations to create and connect local jobs in the SERDA region.

**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.

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## **1.5 HEALTH AND HOUSING**

**Continue to advocate for public and private Health, Housing and Aged Care development opportunities with a particular focus on Sorell as the principal urban service centre.**

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

---

## **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 completing the Orielson Shared Pathway Loop by partnering and applying for available grants.**

Successful in being awarded a Healthy Tasmania Community Grant to construct a sub-loop off the Orielson Lagoon Loop in Miena Park. New Open Space Strategy to be completed in 2019-2020.

**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.**

Commitment made, subject to meeting funding requirements for the Federal Government to fund an indoor two court regional stadium at Pembroke Park to the value of \$6 million in addition to the State Government's \$2.5 million commitment.

**Apply for additional unisex change rooms at Pembroke Park through 'Levelling the Playing Field' grant process.**

Received confirmation of successful grant application for \$630,000.

**Investigate the upgrade of the Sorell Skate Park facility in consultation with the community.**

In Progress - Stage 1 of the upgrade completed with the help of a Building Better Communities Program grant of \$20,000, matched by Council.

**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 – Recognised by Sorell and Glamorgan Spring Bay Councils that funding will be required for the SERDA planning application and associated business case in the first instance in order to support a funding request for the \$1.7m capital project.

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## **1.7 TOURISM**

**Establish and leverage opportunities associated with proposed airport extension and key development sites throughout the municipality that target high quality and yield projects/products.**

Works have commenced on the \$24m tourism development at Iron Creek Bay Farm Stay.

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## **1.8 TRANSPORT**

**Continue targeted engagement with Department of State Growth (Transport Division) to identify and address key transport corridor issues:**

- **Timely delivery of State Growth committed projects (in alignment with the published South-East Traffic Solution Paper) —**
  - Hobart Airport interchange;
  - Road widening from Tasmania Golf Club to first causeway;
  - Midway Point Tasman Highway intersection upgrade;
  - Replacement of Arthur Highway Sorell Rivulet bridge incorporating footpath access on both sides; (delayed – no date provided)
  - Southern Sorell bypass;
  - Arthur Highway overtaking lane eastbound from Ironstone Creek bridge;

Ongoing – Possible solutions distributed as part of wider public and landowner consultation with construction timelines to follow.

- **Maximising provision of Metro bus services to Midway Point, Sorell and Southern Beaches to commence 2019 and encourage increased use of the Sorell Park & Ride Facility.**

New improved high frequency bus services running out of Midway Point and Sorell commenced February 2019.

Upgrade of Sorell Park and Ride agreed between Council and Department of State Growth, and additional parking off Dubs and Co Drive constructed.

- **Assist State Growth in identifying additional Park & Ride Facilities at Midway Point and Southern Beaches;**

Possible Midway Point Park and Ride locations identified and provided to Department of State Growth.

- **Nash Street / Tasman Highway junction treatment and timing; and**

No progress other than the discussion about bus stops locations.

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

Ongoing – Along with some additional bus shelters.

## **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 the site owners, consultants and the Minister for Planning and State Growth.

- **Timely delivery of South East Emergency Services Hub on 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 township; and**

An updated revision of the Council 20 Year Land Supply Strategy was undertaken and included in Council's LPS submission to the Planning Commission.

- **Dunalley Cove Marina.**

In conjunction with Department of State Growth a re-zoning application was submitted to the Tasmanian Planning Commission and approved. State Government and Council have agreed to jointly fund an Expression of Interest to test the development/investment market.

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<b>2.2</b>	<b>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. Liaise with Tasmanian Planning Commission and Planning Policy Unit to co-ordinate Statewide Planning Scheme project timeframes as necessary.</b>
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SERDA Workforce Development and Engagement Officer appointed to facilitate the creation of "local jobs for local people."

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<b>2.3</b>	<b>Incorporate the 20 year residential, commercial and industrial land supply strategy recommendations into the LPS of the Statewide Planning Scheme (as appropriate).</b>
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Updated 20 Year Land Supply Strategy approved by Council for inclusion with Council's LPS submission.

**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.**

Ongoing – The Mayor, General Manager and senior staff continue to engage with these organisations.

**3.2**

**Seek a commitment from the Minister for Planning and Local Government to the timely review of the Southern Tasmania Regional Land Use Strategy, the introduction of necessary State and planning policies and a clear timeline for the implementation of the remaining necessary components of the statewide planning reform agenda.**

Ongoing – The Minister has advised Councils of the Governments intended work plan, however, the provision of requisite resources to achieve acceptable timelines remain unknown.

**3.3**

**Determine Council's preferred outcome in relation to voluntary amalgamation /common service modelling with Tasman Council including any necessary boundary changes 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.**

Council voted on the Local Government Board recommendations in support of a merge with Tasman Council, however, the voluntary amalgamation did not proceed with Tasman supporting the status quo.

**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.**

Reduced operational presence with Common Service partner Councils due to a review of own operational / functional requirements as a result of staff turnover and increasing population growth and development pressure and impacts on sustainability of organisation.

#### **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 the Sorell Municipality, as a part of the greater south-east region including consideration of sustainable and timely outcomes from the Sorell Cultural Precinct Concept and business case.**

Engaged with DST regarding contemporary and future visitor information service approaches in the context of Tasmania, the Hobart metro and South East region. Additional engagement with DST and project proponents on destination management issues and opportunities for the Municipality.

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

Provided assistance to:

- South East Suns Truck Show
- South East Arts Annual Exhibition
- Primrose Sands Australia Day Event
- Sorell Senior Football Club – Sportsman’s Night
- Sorell On Stage performances throughout the year
- Buddhist Community - A Taste of Thai
- Sorell School Presentation Night
- South East Netball Association – Junior Dinner
- World Wetlands Day event

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

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

Ongoing - Continued to work with special committees and community halls, to assist in their operations being sustainable and support increased facility usage. Continued to work with a wide range of community groups in various ways to support their operations. Continued to work with sporting clubs particularly in relation to new and upgraded facilities through various grant applications, with the aim of increasing participation.

Supported 24 community and sporting groups through funding in the Community Grants Program.

**5.2 Continue to explore opportunities to improve Council’s communications and engagement including:**

- **Full utilisation of available and cost effective platforms.**

In Progress - Drafted a Communication and Engagement Strategy ready for consultation and endorsement by Council in 2019 - 2020.

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

My Local Services App promoted consistently throughout 2018 - 2019.

- **Move to more email based correspondence with ratepayers where appropriate.**

Continued to explore possibilities for more email based correspondence.

Continued to grow Council’s Social Media presence, particularly on Facebook, and held four Community Conversations throughout 2018 - 2019.

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**5.3 Advocate for the provision of Government and non-government youth services within the municipal area, to operate from the Sorell Youth Centre or other appropriate facility.**

Colony 47 now operating various youth and employment programs, 5 days per week, from the Sorell Youth Centre Facility.

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**5.4 Improve the utilisation and sustainability of Council Community and Sporting Facilities in conjunction with the user groups and other stakeholders.**

Continued to work with sporting clubs particularly in regard to new and upgrade of facilities through various grant applications, with the aim of increasing participation. Continued to work with special committees, and community halls, to assist in their operations being sustainable and to promote increased facility usage.

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**5.5 Advocate for the sustainable and staged implementation of the Sorell Cultural Precinct Concept Business Case recommendations.**

Enhanced community capacity for local arts, culture and history is identified as a key focus in the new Sorell Council Strategic Plan 2019 – 2029, with a focus on recognising and celebrating the History and Heritage values of our



region and encouraging and supporting the local arts, cultural activities, programs and events. Recommendations from the Sorell Cultural Precinct Concept Business Case will be given consideration as we aim to meet this objective and will inform any sustainable grant opportunities.

## **6.0 Promote the Sorell Municipal Area as a Good Place to Live**

### **6.1 Maintain and promote our parks, ensuring all equipment meets contemporary standards.**

Reconstructed the basketball quarter court at Primrose Sands Park. The first stage of the upgrade of Sorell Skate Park was completed. Ongoing programmed operational and safety inspections of parks and reserves.

### **6.2 Promote the sustainable management of Sorell's natural environment.**

In Progress – Ongoing on-ground works carried out with Conservation Volunteers Australia at Orielson Lagoon/Miena Park and Sorell Rivulet/Pioneers Park. Continued to work with Parks and Wildlife and Crown Land Services to sort land tenure and maintenance responsibility around coast line.

## **7.0 Identify, Promote and Market the Potential Use of the Coast Line of the Municipal Area**

### **7.1 Explore partnering opportunities with NRM South, Landcare and Coastcare groups or equivalent providers to better coordinate land and Coastcare activities consistent with Federal, State, Regional and local priorities.**

With NRM South Council Facilitators not being funded the relationship has ended. All outstanding projects which had been previously funded have been finalised.

### **7.2 Continue to develop and prioritise a beach access and open space corridor maintenance and upgrade strategy and program.**

In Progress – Continued to work with Crown Land Services to formalise beach accessways and foreshore leases. A new beach access walkway into Blue Lagoon Beach was installed. Council has committed funds to develop and Open Space Strategy in 2019-2020 which will include the rationalisation of walkways and beach accesses.

### **7.3 Continue communications and support productive and sustainable alliances with relevant stakeholders including Crown Land Services, Southern Beaches Landcare/Coast Care, Tasman Landcare Group, 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 first tranche of land sales was completed. The second tranche of land sales having been identified depend 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*.

## **9.0 Continue To Deliver Valued Core Service**

### **9.1 Continue to undertake all regulatory and legislative requirements including a supplementary review of the Red Ochre Beach Restricted Area under the Dog Management Plan 2017 and development of Council's Local Provisions Schedule as part of the Tasmanian Planning Scheme.**

Formal review of Dog Management Plan completed. One location namely Blue Lagoon/Red Ochre Beach was re-advertised, and the outcome agreed to by Council incorporated into the revised Dog Management Plan.

### **9.2 Continue to develop our people, processes and systems including:**

- **Continue to focus on a Healthy and Safe Place to Work.**

Seven employees participated in a 5 day HSR Training Program.

WHS Committee met twice throughout 2018 - 2019.

Four training days for HSR Representatives were held.

WHS Management Plan reviewed.

Employee Induction Process revised to ensure new employees are better informed when they commence employment.

Manual Handling Training undertaken by Outdoor Employees and Animal Control Officers.

- **Focus on improving our internal communication strategies.**

Communication and Engagement Strategy drafted ready for consultation and endorsement by Council in 2019 – 2020.

- **Continue to work on our Values, Behaviours and Workplace Culture.**

Organisation values were reviewed and revised as part of the development of the Strategic Plan 2019 – 2029, with input provided by employees and Councillors.

- **Continue to develop Middle Management & Depot Leadership Teams, with a focus on stronger leadership and opportunities.**

Middle Management have meet monthly throughout the year and the Depot Leadership team now form part of the MMT group. MMT have been involved with input into the Strategic, Annual and Operational Plans. Leadership training for this group will be undertaken in 2019 – 2020.

- **Develop a workforce plan.**

Not complete.

- **Review business IT strategy**

In Progress.

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**9.3 Continue to explore opportunities to improve our customer service including:**

- **Implementation of Customer Service Strategy.**

Ongoing.

- **Increased focus on internal & external communication with the organisation.**

In Progress - Communications and Engagement Strategy drafted ready for consultation and endorsement by Council in 2019 - 2020.

- **Identify new technology and processes to improve our customer service experience including a refinement of the Customer Request Management system.**

Ongoing.



Sorell Skate Park upgrade stage one



## FINANCIAL REPORT

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## Statement of Comprehensive Income For the Year Ended 30 June 2019

	Note	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
<b>Income from continuing operations</b>				
<b>Recurrent income</b>				
Rates and charges	2.1	13,657	13,708	13,099
Statutory fees and fines	2.2	539	511	430
User fees	2.3	559	656	577
Grants	2.4	1,133	2,214	2,151
Contributions - cash	2.5	41	92	146
Interest	2.6	224	318	235
Other income	2.7	701	904	746
Investment revenue from water corporation	2.9, 4.2	324	302	487
		<b>17,178</b>	<b>18,705</b>	<b>17,871</b>
<b>Capital income</b>				
Capital grants received specifically for new or upgraded assets	2.4	1,309	2,269	1,622
Contributions - non-monetary assets	2.5	-	1,804	2
Net gain / (loss) on disposal of property, infrastructure, plant and equipment	2.8	55	(942)	(3,376)
Net gain / (loss) on de-recognition/recognition of property, infrastructure, plant and equipment	2.8	-	(74)	-
Share of net profits / (losses) of associates and joint ventures accounted for by the equity method	4.1	-	731	178
Fair value adjustments for investment property	6.3	-	59	-
		<b>1,364</b>	<b>3,847</b>	<b>(1,574)</b>
<b>Total income from continuing operations</b>		<b>18,542</b>	<b>22,552</b>	<b>16,297</b>
<b>Expenses from continuing operations</b>				
Employee benefits	3.1	(6,267)	(5,796)	(5,516)
Materials and services	3.2	(5,061)	(4,786)	(5,201)
Impairment of receivables	3.3	-	(25)	-
Depreciation and amortisation	3.4	(5,072)	(5,151)	(5,160)
Finance costs	3.5	(134)	(133)	(145)
Other expenses	3.6	(1,484)	(1,422)	(1,300)
<b>Total expenses from continuing operations</b>		<b>(18,018)</b>	<b>(17,313)</b>	<b>(17,322)</b>
<b>Result from continuing operations</b>		<b>524</b>	<b>5,239</b>	<b>(1,025)</b>
<b>Net result for the year</b>		<b>524</b>	<b>5,239</b>	<b>(1,025)</b>

**Other comprehensive income****Items that will not be reclassified to surplus or deficit**

Fair value adjustments on equity investment assets	9.1	-	3,585	-
Net asset revaluation increment/(decrement)	9.1	-	-	7,572
		-	<b>3,585</b>	<b>7,572</b>

**Items that may be reclassified subsequently to surplus or deficit**

Financial assets available for sale				
– Fair Value adjustment on equity investment assets	9.1	-	-	321
		-	-	<b>321</b>
<b>Total Other Comprehensive Income</b>		-	<b>3,585</b>	<b>7,893</b>

**Total Comprehensive result**

<b>524</b>	<b>8,824</b>	<b>6,868</b>
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The above statement should be read in conjunction with the accompanying notes.



**Statement of Financial Position**  
**As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	9,976	7,866
Trade and other receivables	5.2	614	476
Inventories	5.3	67	58
Other assets	5.4	181	118
<b>Total current assets</b>		<b>10,838</b>	<b>8,518</b>
<b>Non-current assets</b>			
Trade and other receivables	5.2	42	48
Investments in associates accounted for using the equity method	4.1	2,126	1,395
Investment in water corporation	4.2	28,633	25,048
Property, infrastructure, plant and equipment	6.1	244,030	241,632
Investment property	6.3	356	297
Intangible assets	6.4	318	330
<b>Total non-current assets</b>		<b>275,505</b>	<b>268,750</b>
<b>Total assets</b>		<b>286,343</b>	<b>277,268</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7.1	715	600
Trust funds and deposits	7.2	829	659
Provisions	7.3	1,092	1,004
Interest-bearing loans and borrowings	8.1	200	187
<b>Total current liabilities</b>		<b>2,836</b>	<b>2,450</b>
<b>Non-current liabilities</b>			
Provisions	7.3	287	228
Interest-bearing loans and borrowings	8.1	1,880	2,080
Other	7.1	29	23
<b>Total non-current liabilities</b>		<b>2,196</b>	<b>2,331</b>
<b>Total liabilities</b>		<b>5,032</b>	<b>4,781</b>
<b>Net Assets</b>		<b>281,311</b>	<b>272,487</b>
<b>Equity</b>			
Accumulated surplus		95,147	89,908
Reserves	9.1	186,164	182,579
<b>Total Equity</b>		<b>281,311</b>	<b>272,487</b>

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

## Statement of Cash Flows For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates		13,727	13,161
Statutory fees and fines		507	428
User charges and other fines (inclusive of GST)		678	584
Grants (inclusive of GST)		2,220	2,160
Developer contributions		97	146
Interest		314	233
Investment revenue from water corporation	2.9	324	486
Other receipts (inclusive of GST)		1,189	977
Net GST refund/payment		945	1,117
Payments to suppliers (inclusive of GST)		(7,458)	(7,753)
Payments to employees		(5,658)	(5,326)
Finance costs		(134)	(147)
<b>Net cash provided by (used in) operating activities</b>	<b>9.2</b>	<b>6,751</b>	<b>6,066</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(7,315)	(6,734)
Proceeds from sale of property, infrastructure, plant and equipment		628	426
Capital grants		2,063	1,622
<b>Net cash provided by (used in) investing activities</b>		<b>(4,624)</b>	<b>(4,686)</b>
<b>Cash flows from financing activities</b>			
Trust funds and deposits received		635	-
Repayment of trust funds and deposits		(465)	-
Proceeds from interest bearing loans and borrowings		-	-
Repayment of interest bearing loans and borrowings		(187)	(175)
<b>Net cash provided by (used in) financing activities</b>	<b>9.3</b>	<b>(17)</b>	<b>(175)</b>
Net increase (decrease) in cash and cash equivalents		2,110	1,205
Cash and cash equivalents at the beginning of the financial year		7,866	6,661
<b>Cash and cash equivalents at the end of the financial year</b>	<b>9.4</b>	<b>9,976</b>	<b>7,866</b>
Restrictions on cash assets	5.1	2,896	1,891

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

## Statement of Changes in Equity For the Year Ended 30 June 2019

	Note	Accumulated Surplus 2019 \$'000	Asset Revaluation Reserve 2019 \$'000	Fair Value Reserve 2019 \$'000	Other Reserves 2019 \$'000	Total Equity 2019 \$'000
<b>2019</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the financial year		89,908	185,788	(4,259)	1,050	272,487
Surplus / (deficit) for the year		5,239	-	-	-	5,239
Other Comprehensive Income:						
Fair value adjustment on equity investment assets	4.2	-	-	3,585	-	3,585
Net asset revaluation increment/(decrement)	9.1	-	-	-	-	-
Total comprehensive income		95,147	185,788	(674)	1,050	281,311
Transfers between reserves		-	-	-	-	-
<b>Balance at end of the financial year</b>		<b>95,147</b>	<b>185,788</b>	<b>(674)</b>	<b>1,050</b>	<b>281,311</b>

	Note	Accumulated Surplus 2018 \$'000	Asset Revaluation Reserve 2018 \$'000	Fair Value Reserve 2018 \$'000	Other Reserves 2018 \$'000	Total Equity 2018 \$'000
<b>2018</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the financial year		89,998	174,797	(4,580)	1,050	261,265
Adjustment for prior period error		935	3,419	-	-	4,354
Restated opening balance		90,933	178,216	(4,580)	1,050	265,619
Surplus / (deficit) for the year		(1,025)	-	-	-	(1,025)
Other Comprehensive Income:						
Fair value adjustment on available for sale asset	4.2	-	-	321	-	321
Net asset revaluation increment/(decrement)	9.1	-	7,572	-	-	7,572
Total comprehensive income		89,908	185,788	(4,259)	1,050	272,487
Transfers between reserves		-	-	-	-	-
<b>Balance at end of the financial year</b>		<b>89,908</b>	<b>185,788</b>	<b>(4,259)</b>	<b>1,050</b>	<b>272,487</b>

## Notes to the Financial Report For the Year Ended 30 June 2019

### 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 and 7.3.

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, infrastructure, plant & equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, infrastructure, 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 2019

### 1.4 Functions / activities of the Council

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

	Grants	Other	Total Revenue	Total Expenditure	Surplus/ (Deficit)	Assets
Governance and administration						
2018 - 2019	1,247	12,348	13,595	4,625	8,970	70,958
2017 - 2018	1,313	9,484	10,797	6,520	4,277	70,334
Roads, streets and bridges						
2018 - 2019	2,541	2,009	4,550	5,909	(1,359)	159,995
2017 - 2018	2,458	141	2,599	7,206	(4,607)	153,555
Stormwater						
2018 - 2019		(67)	(67)	1,047	(1,114)	39,039
2017 - 2018						38,616
Waste management						
2018 - 2019	-	2,261	2,261	1,475	786	1,200
2017 - 2018	-	2,151	2,151	1,421	730	1,252
Environmental health						
2018 - 2019	3	133	136	484	(348)	-
2017 - 2018	2	169	171	431	(260)	-
Planning services						
2018 - 2019	5	419	424	511	(87)	-
2017 - 2018	-	386	386	432	(46)	-
Building control						
2018 - 2019		450	450	337	113	
2017 - 2018		101	101	146	(45)	
Community amenities						
2018 - 2019	687	416	1,103	2,730	(1,627)	15,150
2017 - 2018	-	92	92	1,166	(1,074)	13,511
Community services						
2018 - 2019		100	100	195	(95)	
2017 - 2018						
<b>Total</b>						
<b>2018 - 2019</b>	<b>4,483</b>	<b>18,069</b>	<b>22,552</b>	<b>17,313</b>	<b>5,239</b>	<b>286,342</b>
<b>2017 - 2018</b>	<b>3,773</b>	<b>12,524</b>	<b>16,297</b>	<b>17,322</b>	<b>(1,025)</b>	<b>277,268</b>

## Notes to the Financial Report For the Year Ended 30 June 2019

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

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

	2019	2018
Current assets	10,838	8,518
Non-current assets	275,505	268,750
	<b>286,343</b>	<b>277,268</b>

#### (c) Governance and administration

The governance and administration functions of Council include the operation and maintenance of council chambers, administration offices and Councillors. This includes the functions which support the provision of Council's key services, including; customer service and administration; business support administration; finance; information technology; human resources; communications; risk management; and governance processes.

##### *Roads, streets and bridges*

The roads, streets and bridges activities of Council include infrastructure services and asset management functions, including construction, maintenance and cleaning of sealed and unsealed roads, streets, footpaths, kerb and channel, bridges, parking facilities and street lighting.

##### *Stormwater*

The stormwater activities of Council include infrastructure services and asset management functions, including the operation and maintenance of Council's stormwater assets, including stormwater pits, drains, culverts and end structures, and on occasions road drainage.

##### *Waste management*

The waste management activities of Council include collection, handling, processing and disposal of all waste materials.

##### *Environmental health and environmental management*

The environmental health function of Council includes health services, such as food business control and other regulatory health controls, including; food surveillance; caravan licences; public-use building standards; health education and promotion; immunisation services; and water quality monitoring.

The environmental management function of Council includes strategies and programs for the protection of the environment and regulations of activities affecting the environment. The function includes activities, such as fire hazard management, natural resource management, control of noxious weeds, and the servicing and monitoring of aerated waste water treatment systems.

##### *Planning services*

The planning services function of Council includes town planning services and development control, including the administration of the town planning scheme, subdivisions and urban and rural renewal programs.

##### *Building control*

The building control function of Council includes development and maintenance of building constructions standards, building and plumbing inspections, the approval of building and plumbing applications and the issuing of building permits.

##### *Community amenities*

The community amenities function of Council includes the provision of sports fields, sporting clubrooms, community halls, parks and reserves, playgrounds and public toilets.

##### *Community services*

The community services function of Council includes animal management, including dog control activities, the administration and operation of dog registrations and the operation of pounds. This function also includes, the operation, support and advocacy of community events and youth services, such as; the performing arts; museums; and the presentation of festivals. The community services function also encompasses 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.

## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000

**Note 2 Revenue**

**Note 2.1 Rates and charges**

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 2018-19 was \$2,733 million (2017-18 \$2,703 million). The 2018-19 general rate is a two tiered rating system with 37% (2017-18 37%) of the general rate generated by a fixed rate of \$462.41 (2017-18 \$451.13), and the remaining by a rate of \$0.002 (2017-18 \$0.002) of the ACV, varied based on land use and / or locality.

Rates revenue	11,885	11,445
Fire levy	486	449
Garbage charge	2,197	2,087
Less: Remissions	(860)	(882)
<b>Total rates and charges</b>	<b>13,708</b>	<b>13,099</b>

The date of the latest general revaluation of land for rating purposes within the municipality was 28 March 2017, and the valuation was 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	27	18
Town planning fees	315	240
Land information certificates	159	169
Permits	10	3
<b>Total statutory fees and fines</b>	<b>511</b>	<b>430</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.



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Note 2.3 User fees</b>		
Animal registrations	89	89
Building services	110	89
Caravan licences	16	17
Engineering services	60	48
Fire abatement	16	32
Health services	47	27
Recreational vehicles	14	10
Kennel licences	2	2
Plumbing application and inspection	297	252
Other fees and charges	5	11
<b>Total user fees</b>	<b>656</b>	<b>577</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.

**Note 2.4 Grants**  
Grants were received in respect of the following:

#### Summary of grants

Federally funded grants	2,430	2,644
State funded grants	2,041	1,112
Others	12	16
<b>Total</b>	<b>4,483</b>	<b>3,772</b>

#### Grants - Recurrent

Commonwealth Government Financial Assistance Grants - General Purpose	1,217	1,123
Commonwealth Government Financial Assistance Grants - Roads	948	947
State Government - Health	3	2
State Government - Transport	14	45
State Government - MAST	20	
Other	12	34
<b>Total recurrent grants</b>	<b>2,214</b>	<b>2,151</b>

The Australian Commonwealth Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB1004 *Contributions*, Council recognised these grants as revenue when it received the funds and obtained control. In both years the Commonwealth has made early payment of the first two quarterly instalments for the following year. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted amount in 2018-19 by \$1.09m, (2017-18, \$1.07m). This has impacted the Statement of Comprehensive Income resulting in the surplus/(deficit) being higher by the same amount.

#### Capital grants received specifically for new or upgraded assets

Commonwealth Government - Roads to Recovery	242	571
Commonwealth Government - Sport	20	-
Commonwealth Government - Transport	28	-
State Government - Culture, sport and recreation	713	166
State Government - Bridges	1,106	585
State Government - Transport	160	-
Other	-	300
<b>Total capital grants</b>	<b>2,269</b>	<b>1,622</b>



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Note 2.4 Grants (cont.)</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
Less: expended during the current period from revenues recognised in previous reporting periods		
Community facility	-	(22)
Total expended during current period	-	(22)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Culture, sport and recreation	663	-
Transport	25	-
<b>Unexpended at the close of this reporting period</b>	<b>688</b>	<b>-</b>
Net increase / (decrease) in non-reciprocal grant revenues for the year:	688	(22)

### 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

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.

### Note 2.5 Contributions

#### (a) Cash

Parks, open space and streetscapes	92	140
Other	-	6
<b>Total</b>	<b>92</b>	<b>146</b>

#### (b) Non-monetary assets

Land under roads	7	2
Roads	1,042	-
Kerb and channel	66	-
Footpaths and cycleways	161	-
Formation earthworks	10	-
Stormwater	518	-
<b>Total</b>	<b>1,804</b>	<b>2</b>

#### Total contributions

<b>1,896</b>	<b>148</b>
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## Notes to the Financial Report For the Year Ended 30 June 2019

2019	2018
\$'000	\$'000

### 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.

#### Note 2.6 Interest

Interest on rates	107	113
Interest on cash and cash equivalents	211	122
<b>Total</b>	<b>318</b>	<b>235</b>

### Accounting policy

#### Interest income

Interest is recognised progressively as it is earned.

#### Note 2.7 Other income

Community facility hire income	139	68
Copping Refuse Disposal Site land rental	64	64
Copping Refuse Disposal Site Joint Authority profit share	32	-
Leased properties rental income	30	27
Donations received	3	7
Diesel fuel rebate	19	16
Insurance recoveries	45	-
Workers compensation reimbursements	34	19
External labour hire recoveries	421	405
Other	117	140
<b>Total other income</b>	<b>904</b>	<b>746</b>

## Notes to the Financial Report For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Accounting policy</b>		
<b>Rental income</b>		
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.		
<b>Donations received</b>		
Donations are recognised as revenue when the payment is received.		
<b>Operating leases as lessor</b>		
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 profits, 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, infrastructure, 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, infrastructure, 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, infrastructure, plant and equipment. Buildings are recognised at depreciated replacement cost.		

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

Proceeds of sale	628	426
Write down value of assets disposed	(1,570)	(3,802)
<b>Total</b>	<b>(942)</b>	<b>(3,376)</b>

**Net gain / (loss) on de-recognition / recognition of property, infrastructure, plant and equipment**

De-recognition of property, infrastructure, plant and equipment	218	-
Recognition of property, infrastructure, plant and equipment	(292)	-
<b>Total</b>	<b>(74)</b>	<b>-</b>

<b>Accounting policy</b>		
<b>Gains and losses on asset disposals</b>		
The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.		
<b>Gains and losses on asset de-recognition / recognition</b>		
Refer to note 6.2 for details on the de-recognition / recognition of property, infrastructure, plant and equipment.		

**Note 2.9 Investment revenue from water corporation**

Dividend revenue received	170	300
Tax equivalent received	110	143
Guarantee fee received	22	44
<b>Total investment revenue from water corporation</b>	<b>302</b>	<b>487</b>

<b>Accounting policy</b>		
<b>Investment revenue</b>		
Dividend revenue is recognised when Council's right to receive payment is established and it can be reliably measured.		



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Note 3 Expenses</b>		
<b>Note 3.1 Employee benefits</b>		
Wages and salaries	4,270	4,061
Workers compensation	257	244
Annual leave and long service leave	543	472
Superannuation	621	596
Fringe benefits tax	29	40
Payroll tax	242	243
Employee associated costs	87	93
	<u>6,049</u>	<u>5,749</u>
Less amounts capitalised	(253)	(233)
<b>Total employee benefits</b>	<u><b>5,796</b></u>	<u><b>5,516</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>		
Advertising	80	88
Computers and associated costs	191	176
Consultants	403	272
Contracts	47	166
Cleaning	153	151
Legal	85	69
Maintenance	1,687	1,720
Operating capital	117	676
Plant registration fees	34	33
Printing	31	30
Security services	24	16
Stationary and office consumables	34	30
Utilities	451	382
Valuation costs	45	43
Waste	1,396	1,338
Other	8	10
<b>Total materials and services</b>	<u><b>4,786</b></u>	<u><b>5,201</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.



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Note 3.3 Impairment of receivables</b>		
Other debtors	25	-
<b>Total impairment of receivables</b>	<b>25</b>	<b>-</b>

### Accounting policy

#### Impairment expense

Expenses are recognised when Council has determined there to be an increase in the credit risk of a financial asset since initial recognition. Councils policy and events giving rise to impairment losses are disclosed in note 5.2.

### Note 3.4 Depreciation and amortisation

#### Property

Land improvements	392	391
<b>Buildings</b>		
Buildings (including marine structures)	594	592
Leasehold improvements	6	7

#### Plant and equipment

Plant, machinery and equipment	464	409
Fixtures, fittings and furniture	143	154
Computers and telecommunications	87	123

#### Infrastructure

Roads	2,483	2,476
Bridges	183	182
Footpaths and cycleways	144	143
Kerb and channel	61	59
Stormwater	514	522
Waste management	52	52

#### Intangible assets

Intangible assets	28	50
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#### Total depreciation and amortisation

<b>5,151</b>	<b>5,160</b>
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### 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.

**Notes to the Financial Report  
For the Year Ended 30 June 2019**

	2019 \$'000	2018 \$'000
<b>Accounting policy (cont.)</b>		
<b>Depreciation and amortisation expense</b>		<b>Period</b>
Land improvements		
carparks		12 - 240 years
fences		40 - 100 years
formal park assets		80 - 200 years
irrigation		15 - 80 years
lighting		50 years
open space furniture		10 - 100 years
park active areas		25 - 60 years
park infrastructure		25 - 100 years
park passive areas		20 - 100 years
play equipment		20 years
playgrounds		15 - 80 years
retaining walls		80 years
signs		20 - 60 years
traffic management devices		6 - 50 years
Buildings		
buildings and building improvements		20 - 100 years
marine structures		15 - 200 years
other structures (including sheds, tanks, stairs and shelters)		15 - 80 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		40 - 80 years
Bridges		
bridges deck		20 - 80 years
bridges substructure		20 - 80 years
Other Infrastructure		
footpaths and cycleways		20 - 100 years
stormwater		20 - 100 years
waste management		10 - 50 years
Intangible assets		
intangible assets		5 years

## Notes to the Financial Report For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Note 3.5 Finance costs</b>		
Interest - Borrowings	133	145
<b>Total</b>	<b>133</b>	<b>145</b>
Less capitalised borrowing costs on qualifying assets	-	-
<b>Total finance costs</b>	<b>133</b>	<b>145</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.

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

<b>Note 3.6 Other expenses</b>		
External auditors' remuneration (Tasmanian Audit Office)	28	29
Internal auditors' remuneration (Audit Panel members)	7	7
Bank fees and charges	36	35
Councillors' allowances and expenses	196	188
Collection costs	27	22
Community development	9	8
Donations section 77	50	36
Election expenses	69	6
Environmental management expenses	19	27
Government fire contributions	481	439
Insurance	231	204
Land tax	67	70
Licences, memberships and subscriptions	68	68
Operating leases	25	21
Postage	47	61
Telephone	30	27
Other	32	52
<b>Total other expenses</b>	<b>1,422</b>	<b>1,300</b>

### 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.



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000

**Note 4 Investments**

**Note 4.1 Investment in associates**

The Copping Refuse Disposal Site Joint Authority (CRDSJA) (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 CRDSJA in 2009.

CRDSJA is located in Australia. The CRDSJA's principle activity is to promote, operate 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:

- CRDSJA (trading as Southern Waste Solutions)	2,126	1,395
<b>Total</b>	<b>2,126</b>	<b>1,395</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% (2017-18 24%).

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

Council's share of accumulated surplus / (deficit) at start of year	999	865
Council's share of reported surplus / (deficit) for year	483	134
Council's share of accumulated surplus / (deficit) at end of year	<b>1,482</b>	<b>999</b>

*Council's share of reserves*

Council's share of reserves at start of year	150	150
Council's share of transfers (to) / from reserves for year	-	-
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	1,395	1,217
Council's share of surplus / (deficit) for year	483	134
Council's share of contributions by owners for year	248	44
Carrying value of investment at end of year	<b>2,126</b>	<b>1,395</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.

In the 2017-18 financial year the CRDSJA accounts had not finalised at the time of signing Council's accounts. Council's share of surplus / (deficit) for 2017-18 per the CRDSJA 2017-18 final accounts was \$159,363, compared to \$134,020 recorded in Council's 2017-18 final signed accounts. An adjustment of \$25,343 has been made in the 2018-19 financial year to account for this difference.



## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Note 4.2 Investment in water corporation</b>		
Opening balance	25,048	24,727
Fair Value adjustments on available-for-sale assets	-	321
Fair Value adjustments on equity investment assets	3,585	-
<b>Total investment in water corporation</b>	<b>28,633</b>	<b>25,048</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 under AASB 9 - applicable from 1 July 2018

#### Equity investment

As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: *Financial Instruments* to irrevocably classify this equity investment as designated as fair value through other comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer note 9.1) and not reclassified through the profit or loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured.

Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council held a 1.54% (2017-18 1.56%) ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

### Accounting policy under AASB 139 - applicable for 2018 comparative

#### Equity investment

Council's investment in TasWater is valued at its fair value determined by Council's ownership interest against the water corporation's net asset value at balance date. 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 9.1).

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.

### Note 5 Current assets

#### Note 5.1 Cash and cash equivalents

Cash on hand	2	2
Cash at bank	468	918
Term deposits	9,506	6,946
<b>Total cash and cash equivalents</b>	<b>9,976</b>	<b>7,866</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)	829	659
- Conditions on grants (note 2.4)	688	-
- Leave Provisions (note 7.3)	1,379	1,232
<b>Restricted funds</b>	<b>2,896</b>	<b>1,891</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>7,080</b>	<b>5,975</b>

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

## Notes to the Financial Report For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Accounting policy</b>		
<b>Cash and cash equivalents</b>		
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.		

### Note 5.2 Trade and other receivables

#### Current

Rates debtors	77	95
Other debtors	399	210
Provision for expected credit loss - Other debtors	(25)	-
Midway Point Improvement Act debtors	1	1
Net GST receivable	162	170
<b>Total</b>	<b>614</b>	<b>476</b>

#### Non-current

Midway Point Improvement Act debtors	36	36
Long term recoverable property debt	6	12
<b>Total</b>	<b>42</b>	<b>48</b>

#### Total trade and other receivables

<b>656</b>	<b>524</b>
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#### Reconciliation of movement in expected credit loss

##### Carrying amount at 30 June 2018 under AASB 139

-

##### Amounts restated through Accumulated Funds

-

##### Carrying amount at 1 July under AASB 9

-

##### Amounts written off during the year

-

##### Amounts recovered during the year

-

##### Increase/(decrease) in provision recognised in profit or loss

25

##### Carrying amount at 30 June

**25**

#### Reconciliation of movement in provision for impairment of receivables

##### Carrying amount at 1 July

-

##### Amounts written off during the year

-

##### Amounts recovered during the year

-

##### Increase / (decrease) in provision recognised in profit or loss

-

##### Carrying amount at 30 June

-

For ageing analysis of the financial assets, refer to note 9.9

## Notes to the Financial Report For the Year Ended 30 June 2019

2019	2018
\$'000	\$'000

### Accounting policy under AASB 9 - applicable from 1 July 2018

#### Trade and other receivables

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information.

For rate debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rate debtors, Council uses the presumptions that assets more than 30 days past due have a significant increase in credit risk and those more than 90 days will likely be in default. Council writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

### Accounting policy under AASB 9 - applicable for 2018 comparative

#### 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.

#### Note 5.3 Inventories

Inventories held for distribution

67	58
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**Total inventories**

67	58
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### 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.

#### Note 5.4 Other assets

##### Current

Prepayments

141	58
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Accrued income

40	60
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**Total**

181	118
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## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 6 Non-current assets

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

	2019	2018
	\$'000	\$'000
<b>Summary</b>		
at cost	30,831	24,230
Less accumulated depreciation	(5,281)	(4,869)
	<b>25,550</b>	<b>19,361</b>
at fair value as at 30 June	318,761	320,541
Less accumulated depreciation	(100,281)	(98,271)
	<b>218,480</b>	<b>222,271</b>
<b>Total</b>	<b>244,030</b>	<b>241,632</b>
<b>Property</b>		
<b>Land</b>		
at cost	122	378
at fair value as at 30 June	10,675	10,675
	<b>10,797</b>	<b>11,053</b>
<b>Land under roads</b>		
at cost	91	91
at fair value as at 30 June	15,506	15,385
	<b>15,597</b>	<b>15,476</b>
<b>Land improvements</b>		
at cost	468	294
at fair value as at 30 June	16,463	19,460
Less accumulated depreciation	(6,663)	(7,677)
	<b>10,268</b>	<b>12,077</b>
<b>Total land</b>	<b>36,662</b>	<b>38,606</b>
<b>Buildings</b>		
at cost	1,180	1,143
at fair value as at 30 June	23,456	22,869
Less accumulated depreciation	(5,519)	(4,546)
	<b>19,117</b>	<b>19,466</b>
<b>Leasehold improvements</b>		
at fair value as at 30 June	-	223
Less accumulated amortisation	-	(78)
	<b>-</b>	<b>145</b>
<b>Total buildings</b>	<b>19,117</b>	<b>19,611</b>
<b>Total Property</b>	<b>55,779</b>	<b>58,217</b>
<b>Plant and equipment</b>		
<b>Plant, machinery and equipment</b>		
at cost	4,112	3,916
Less accumulated depreciation	(1,864)	(1,682)
	<b>2,248</b>	<b>2,234</b>



**Notes to the Financial Report  
For the Year Ended 30 June 2019**

	2019	2018
<b>Note 6.1 Property, infrastructure, plant and equipment (cont.)</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Fixtures, fittings and furniture</b>		
at cost	2,176	2,176
Less accumulated depreciation	(1,138)	(995)
	<b>1,038</b>	<b>1,181</b>
<b>Computers and telecommunications</b>		
at cost	2,467	2,359
Less accumulated depreciation	(2,279)	(2,192)
	<b>188</b>	<b>167</b>
<b>Total plant and equipment</b>	<b>3,474</b>	<b>3,582</b>
<b>Infrastructure</b>		
<b>Roads</b>		
at cost	10,851	7,164
at fair value as at 30 June	111,439	111,509
Less accumulated depreciation	(63,674)	(61,944)
	<b>58,616</b>	<b>56,729</b>
<b>Bridges</b>		
at cost	2,673	1,437
at fair value as at 30 June	11,817	12,703
Less accumulated depreciation	(5,672)	(6,340)
	<b>8,818</b>	<b>7,800</b>
<b>Footpaths and cycleways</b>		
at cost	2,034	1,247
at fair value as at 30 June	7,377	5,909
Less accumulated depreciation	(2,820)	(2,228)
	<b>6,591</b>	<b>4,928</b>
<b>Kerb and channel</b>		
at cost	714	503
at fair value as at 30 June	4,383	4,161
Less accumulated depreciation	(1,884)	(1,769)
	<b>3,213</b>	<b>2,895</b>
<b>Stormwater</b>		
at cost	812	342
at fair value as at 30 June	51,513	51,226
Less accumulated depreciation	(13,356)	(12,952)
	<b>38,969</b>	<b>38,616</b>
<b>Waste</b>		
at fair value as at 30 June	1,893	1,987
Less accumulated depreciation	(693)	(735)
	<b>1,200</b>	<b>1,252</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2019**

	2,019 \$'000	2,018 \$'000
<b>Note 6.1 Property, infrastructure, plant and equipment (cont.)</b>		
<b>Formation earthworks</b>		
at cost	2,578	1,295
at fair value as at 30 June	64,239	64,433
	<u>66,817</u>	<u>65,728</u>
<b>Total infrastructure</b>	<u>184,224</u>	<u>177,948</u>
<b>Works in progress</b>		
Land improvements	13	-
Buildings	119	458
Plant and equipment	8	4
Roads, footpaths and cycleways, kerb and channel and formation earthworks	343	1,325
Bridges	-	78
Stormwater	70	20
<b>Total works in progress</b>	<u>553</u>	<u>1,885</u>
<b>Total property, infrastructure, plant and equipment</b>	<u>244,030</u>	<u>241,632</u>

## Notes to the Financial Report For the Year Ended 30 June 2019

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

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

2019	Balance at beginning of financial year	Acquisition of assets	Revaluation / increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.4)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Transfers Between Classes	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Property</b>									
land	11,053	-	-	-	(267)	-	11	-	10,797
land under roads	15,476	122	-	-	(1)	-	-	-	15,597
land improvements	12,077	147	-	(392)	(200)	-	266	(1,630)	10,268
<b>Total land</b>	<b>38,606</b>	<b>269</b>	<b>-</b>	<b>(392)</b>	<b>(468)</b>	<b>-</b>	<b>277</b>	<b>(1,630)</b>	<b>36,662</b>
buildings	19,466	56	-	(594)	(116)	-	37	268	19,117
leasehold improvements	145	-	-	(6)	(139)	-	-	-	-
<b>Total buildings</b>	<b>19,611</b>	<b>56</b>	<b>-</b>	<b>(600)</b>	<b>(255)</b>	<b>-</b>	<b>37</b>	<b>268</b>	<b>19,117</b>
<b>Total property</b>	<b>58,217</b>	<b>325</b>	<b>-</b>	<b>(992)</b>	<b>(723)</b>	<b>-</b>	<b>314</b>	<b>(1,362)</b>	<b>55,779</b>
<b>Plant and equipment</b>									
plant, machinery and equipment	2,234	39	-	(464)	(153)	-	592	-	2,248
fixtures, fittings and furniture	1,181	-	-	(143)	-	-	-	-	1,038
computers and telecommunications	167	-	-	(87)	-	-	108	-	188
<b>Total plant and equipment</b>	<b>3,582</b>	<b>39</b>	<b>-</b>	<b>(694)</b>	<b>(153)</b>	<b>-</b>	<b>700</b>	<b>-</b>	<b>3,474</b>
<b>Infrastructure</b>									
roads	56,729	957	-	(2,483)	(601)	-	3,657	357	58,616
bridges	7,800	-	-	(183)	(35)	-	1,236	-	8,818
footpaths and cycleways	4,928	177	-	(144)	(60)	-	787	903	6,591
kerb and channel	2,895	66	-	(61)	-	-	211	102	3,213
stormwater	38,616	517	-	(514)	(120)	-	470	-	38,969
waste	1,252	-	-	(52)	-	-	-	-	1,200
formation earthworks	65,728	10	-	-	(204)	-	1,283	-	66,817
<b>Total infrastructure</b>	<b>177,948</b>	<b>1,727</b>	<b>-</b>	<b>(3,437)</b>	<b>(1,020)</b>	<b>-</b>	<b>7,644</b>	<b>1,362</b>	<b>184,224</b>
<b>Works in progress</b>									
land improvements	-	269	-	-	-	-	(266)	10	13
buildings	458	130	-	-	-	-	(37)	(432)	119
plant, machinery and equipment	4	704	-	-	-	-	(700)	-	8
Roads, footpaths and cycleways, kerb and channel and formation earthworks	1,325	4,545	-	-	-	-	(5,949)	422	343
bridges	78	1,158	-	-	-	-	(1,236)	-	-
stormwater	20	520	-	-	-	-	(470)	-	70
<b>Total works in progress</b>	<b>1,885</b>	<b>7,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,658)</b>	<b>-</b>	<b>553</b>
<b>Total property, infrastructure, plant and equipment</b>	<b>241,632</b>	<b>9,417</b>	<b>-</b>	<b>(5,123)</b>	<b>(1,896)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,030</b>

## Notes to the Financial Report For the Year Ended 30 June 2019

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

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

2018	Balance at beginning of financial year	Acquisition of assets	Revaluation / increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.4)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Transfers Between Classes	Balance at end of financial year
	\$'000	\$'000	\$'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>-</b>	<b>563</b>	<b>-</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>-</b>	<b>(159)</b>	<b>-</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>-</b>	<b>404</b>	<b>-</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>-</b>	<b>594</b>	<b>-</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	40,436	-	(834)	(522)	(714)	-	250	-	38,616
waste	1,304	-	-	(52)	-	-	-	-	1,252
formation earthworks	64,535	-	167	-	(82)	-	1,108	-	65,728
<b>Total infrastructure</b>	<b>176,251</b>	<b>-</b>	<b>2,105</b>	<b>(3,434)</b>	<b>(3,395)</b>	<b>-</b>	<b>6,421</b>	<b>-</b>	<b>177,948</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>-</b>	<b>(7,419)</b>	<b>-</b>	<b>1,885</b>
<b>Total property, infrastructure, plant and equipment</b>	<b>236,458</b>	<b>6,516</b>	<b>7,571</b>	<b>(5,110)</b>	<b>(3,803)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,632</b>



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 6.1 Property, infrastructure, plant and equipment (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 \$'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
Land improvements	fair value
Buildings	fair value
Leasehold improvements	fair value
Plant, machinery and equipment	cost
Fixtures, fittings and furniture	cost
Computers and telecommunications	cost
Roads	fair value
Bridges	fair value
Footpaths and cycleways	fair value
Kerb and channel	fair value
Stormwater	fair value
Waste	fair value
Formation earthworks	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.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 6.2 Property, infrastructure, plant and equipment - Prior period adjustment

#### Nature of error

During the 2018-19 financial year, Council reviewed stormwater assets and identified; stormwater assets that had not been previously recorded; revalued stormwater asset values; stormwater assets that could not be found; and stormwater assets that had duplicate records. An adjustment was made to record these assets as a prior period error, with the opening balances of the Statement of Financial Position as at 1 July 2017 restated.

During the 2018-19 financial year, Council also reviewed land improvement assets and de-recognised a number of assets which were no longer assets of Council or the asset had duplicate records. Council also identified a number of land improvement and building assets that had not been previously identified. The de-recognition and recognition of these assets is immaterial, with a net gain / (loss) on de-recognition / recognition of \$(73,552), which is recorded in the current year Statement of Comprehensive Income. Refer to note 2.8.

	30/06/2018		
	Previous \$'000	Adjustment \$'000	Restated \$'000
Opening accumulated surplus 1 July 2017	89,998	935	90,933
Opening reserves 1 July 2017	171,267	3,419	174,686
Stormwater			
Gross	48,138	3,430	51,568
Accumulated depreciation	(13,842)	890	(12,952)
Written down value	34,296	4,320	38,616
Total property, infrastructure, plant and equipment	237,312	4,320	241,632
Depreciation and amortisation	5,126	34	5,160
Result from continuing operations	(991)	(34)	(1,025)
Total comprehensive result	6,902	(34)	6,868

## Notes to the Financial Report For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Note 6.3 Investment property</b>		
Balance at beginning of financial year	297	297
Acquisitions	-	-
Disposals	-	-
Fair value adjustments	59	-
<b>Balance at end of financial year</b>	<b>356</b>	<b>297</b>

Refer to note 9.10 (c) for details on the valuation technique used to determine the fair value of Council's investment property.

### 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	88	100
Water rights	230	230
<b>Total intangible assets</b>	<b>318</b>	<b>330</b>

#### Reconciliation of intangible assets

	Municipal Revaluation \$'000	Water Rights \$'000	Road Revaluation \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 July 2017	268	230	70	568
Other	41	-	-	41
Balance at 30 June 2018	309	230	70	609
Other	16	-	-	16
Balance at 30 June 2019	<b>325</b>	<b>230</b>	<b>70</b>	<b>625</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2017	160	-	70	230
Amortisation expense	49	-	-	49
Balance at 30 June 2018	209	-	70	279
Amortisation expense	28	-	-	28
Balance at 30 June 2019	<b>237</b>	<b>-</b>	<b>70</b>	<b>307</b>
Net book value at 30 June 2018	100	230	-	330
Net book value at 30 June 2019	<b>88</b>	<b>230</b>	<b>-</b>	<b>318</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 2019

	2019 \$'000	2018 \$'000
<b>Note 7</b>	<b>Current liabilities</b>	
<b>Note 7.1</b>	<b>Trade and other payables</b>	
	<b>Current</b>	
	Trade payables	269
	Accrued expenses	340
	Other	106
	<b>Total</b>	<b>715</b>
	<b>Non-current</b>	
	Other	29
	<b>Total</b>	<b>29</b>
	<b>Total trade and other payables</b>	<b>744</b>

### Accounting policy

#### Trade and other payables

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. General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.

For ageing analysis of trade and other payables, refer to note 9.9

<b>Note 7.2</b>	<b>Trust funds and deposits</b>		
	Refundable application deposits	493	356
	Retention amounts	336	304
	<b>Total trust funds and deposits</b>	<b>829</b>	<b>659</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.

Note 7.3	Provisions	Annual leave \$ '000	Long service \$ '000	Rostered Day Off \$ '000	Accrued Day Off \$ '000	Total \$ '000
	2019					
	Balance at beginning of the financial year	500	674	39	19	1,232
	Additional provisions	436	168	110	34	748
	Amounts used	(418)	(37)	(113)	(33)	(601)
	Balance at the end of the financial year	518	805	36	20	1,379
	2018					
	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	500	674	39	19	1,232



## Notes to the Financial Report For the Year Ended 30 June 2019

Note 7.3 Provisions (cont.)	2019 \$'000	2018 \$'000
<b>(a) Employee benefits</b>		
<b>(i) Current</b>		
Annual leave	518	500
Long service leave	518	446
Rostered day off	36	39
Accrued day off	20	19
	<b>1,092</b>	<b>1,004</b>
<b>(ii) Non-current</b>		
Long service leave	287	228
	<b>287</b>	<b>228</b>
Aggregate carrying amount of employee benefits:		
Current	1,092	1,004
Non-current	287	228
	<b>1,379</b>	<b>1,232</b>
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	1.06%	2.26%
Weighted average settlement period	12	12
<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	1,092	1,004
	<b>1,092</b>	<b>1,004</b>
<b>(iv) Non-current</b>		
Long service leave representing less than 10 years of continuous service measured at present value	287	228
<b>(v) Employee Numbers</b>	60	65

### 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.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Accounting policy (cont.)

#### Employee benefits

##### 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

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 Benefits*, 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.

<b>Note 8</b>	<b>Non-current liabilities</b>	<b>2019</b>	<b>2018</b>
<b>Note 8.1</b>	<b>Interest-bearing loans and borrowings</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>Current</b>		
	Borrowings - secured	200	187
		<b>200</b>	<b>187</b>
	<b>Non-current</b>		
	Borrowings - secured	1,880	2,080
		<b>1,880</b>	<b>2,080</b>
	<b>Total</b>	<b>2,080</b>	<b>2,267</b>

#### Borrowings

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	200	187
Later than one year and not later than five years	1,880	1,973
Later than five years	-	107
<b>Total</b>	<b>2,080</b>	<b>2,267</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 proceeds (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.

Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period. Borrowings are secured by way of mortgages over the general rates of the Council.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9 Other financial information

#### Note 9.1 Reserves

	Balance at beginning of reporting year \$'000	Increment \$'000	(Decrement) \$'000	Balance at end of reporting year \$'000
<b>(a) Asset revaluation reserve</b>				
<b>2019</b>				
<b>Property</b>				
Land	8,589	-	-	8,589
Land under roads	10	-	-	10
Land improvements	4,756	-	-	4,756
Buildings	12,197	-	-	12,197
	<b>25,552</b>	-	-	<b>25,552</b>
<b>Infrastructure</b>				
Roads	123,953	-	-	123,953
Bridges	3,925	-	-	3,925
Waste	642	-	-	642
Stormwater	31,661	-	-	31,661
	<b>160,181</b>	-	-	<b>160,181</b>
Associate - Southern Waste Solutions (note 4.1)	55	-	-	55
	<b>55</b>	-	-	<b>55</b>
<b>Total asset revaluation reserve</b>	<b>185,788</b>	-	-	<b>185,788</b>
<b>2018</b>				
<b>Property</b>				
Land	8,589	-	-	8,589
Land under roads	10	-	-	10
Land improvements	-	4,756	-	4,756
Buildings	11,487	710	-	12,197
	<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	32,494	(833)	-	31,661
	<b>158,075</b>	<b>2,106</b>	-	<b>160,181</b>
Associate - Southern Waste Solutions (note 4.1)	55	-	-	55
	<b>55</b>	-	-	<b>55</b>
<b>Total asset revaluation reserve</b>	<b>178,216</b>	<b>7,572</b>	-	<b>185,788</b>
The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.				
<b>(b) Fair value reserve</b>				
<b>2019</b>				
<b>Equity investment assets</b>				
Investment in water corporation	(4,259)	3,585	-	(674)
<b>Total fair value reserve</b>	<b>(4,259)</b>	<b>3,585</b>	-	<b>(674)</b>
<b>2018</b>				
<b>Available-for-sale assets</b>				
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>

Council has to designate its investment in Taswater as an equity investment at fair value through other comprehensive income. Subsequent changes in fair value are reflected in the reserve and will not be reclassified through the profit or loss when derecognised. Equity investment assets within the fair value reserve were previously classified as 'available-for-sale assets'.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.1 Reserves (cont.)

	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
	\$'000	\$'000	\$'000	\$'000
<b>(c) Other reserves</b>				
<b>2019</b>				
Plant replacement	5	-	-	5
Children's 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>2018</b>				
Plant replacement	5	-	-	5
Children's 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

	2019 \$'000	2018 \$'000
<b>Total Reserves</b>	<b>186,164</b>	<b>182,579</b>

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

	2019 \$'000	2018 \$'000
Result from continuing operations	5,239	(1,025)
Depreciation/amortisation	5,151	5,160
(Profit) / loss on disposal of property, plant and equipment, infrastructure	942	3,376
(Profit) / loss on de-recognition/ de-recognition of property, plant and equipment, infrastructure	74	-
Developer Contributions	(1,804)	(2)
(Gain) / Loss on interest in associate	(731)	(178)
Capital grants received specifically for new or upgraded assets	(2,269)	(1,622)
Fair value adjustment for investment property	(59)	-
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	75	41
Decrease/(increase) in other assets	(63)	(15)
Decrease/(increase) in inventories	(9)	54
Increase/(decrease) in trade and other payables	58	187
Increase/(decrease) in provisions	147	90
<b>Net cash provided by/(used in) operating activities</b>	<b>6,751</b>	<b>6,066</b>



## Notes to the Financial Report For the Year Ended 30 June 2019

### 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.

	Interest bearing loans and borrowings \$'000	Trust funds and deposits \$'000
<b>Balance as at 1 July 2018</b>	2,267	659
Changes from financing cash flows:		
Cash Received	-	635
Cash Repayments	(187)	(465)
<b>Balance as at 30 June 2019</b>	<b>2,080</b>	<b>829</b>
<b>Balance as at 1 July 2017</b>	2,442	
Changes from financing cash flows:		
Cash Received	-	
Cash Repayments	(175)	
<b>Balance as at 30 June 2018</b>	<b>2,267</b>	

### Note 9.4 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 5.1)

**Total reconciliation of cash and cash equivalents**

9,976	7,866
<b>9,976</b>	<b>7,866</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 2019 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 2021.

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.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.5 Superannuation (cont.)

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.
- 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 \$34k (2017-18 \$33k), and the amount paid to accumulation schemes was \$585k (2017-18 \$558k).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$41k, and the amount to be paid to accumulation schemes is \$666k.
- 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 2018, showed that the Fund had assets of \$57.48 million and members' Vested Benefits were \$48.39 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2018 the fund had 119 members and the total employer contributions and member contributions for the year ending 30 June 2018 were \$1,515,272 and \$266,000 respectively.

Fund	2019 \$'000	2018 \$'000
<b>Defined benefits fund</b>		
Employer contributions to Quadrant Defined Benefits Fund	34	33
	<u>34</u>	<u>33</u>
Employer contributions payable to Quadrant Defined Benefits Fund at reporting date	2	2
	<u>2</u>	<u>2</u>
<b>Accumulation funds</b>		
Employer contributions to Tasplan Superannuation Fund	180	155
Employer contributions to all other superannuation funds	405	403
	<u>585</u>	<u>558</u>
Employer contributions payable to Tasplan Superannuation Fund at reporting date	13	13
Employer contributions payable to all other superannuation funds at reporting date	30	38
	<u>43</u>	<u>51</u>



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.6 Commitments

#### Capital expenditure commitments

Roads	46	243
<b>Total capital expenditure commitments</b>	<b>46</b>	<b>243</b>

#### Contractual commitments

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

Garbage and recycling collection contract ( <i>expires 1 September 2022</i> )	2,339	1,082
Street bins, green waste and hard waste contract ( <i>expires 1 July 2020</i> )	317	168
Recycling centre management ( <i>expires 1 September 2022</i> )	295	82
Recycling disposal contract ( <i>expires 31 August 2022</i> )	404	-
Cleaning contract ( <i>expires 30 June 2021</i> )	338	167
<b>Total contractual commitments</b>	<b>3,693</b>	<b>1,499</b>

### Note 9.7 Operating leases

#### (a) Operating lease commitments

Council as lessee - At the reporting date, Council had the following obligations under a non-cancellable operating lease with the Commonwealth Bank of Australia (lessor), for the lease of office equipment (photocopiers). The lease began on 15 December 2015 and expires on 15 September 2020.

Not later than one year	7	7
Later than one year and not later than five years	2	9
Later than five years	-	-
	<b>9</b>	<b>16</b>

#### (b) Operating lease receivables

Council as lessor - At the reporting date, Council has the following receivables under non-cancellable operating leases for community facilities. Future minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	8	15
Later than one year and not later than five years	11	20
Later than five years	-	-
	<b>19</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.

### 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.

#### Contingent assets

Council has assessed contingent assets and found there to be none for the year ended 30 June 2019.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.9 Financial instruments

#### (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:

#### 2019

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>Financial assets</b>							
Cash and cash equivalents	1.44%	9,976	-	-	-	-	9,976
Midway Point Improvement loan receivable	9.77%	-	-	-	36	-	36
Trade and other receivables	0.00%	77	-	-	-	543	620
Investment in water corporation		-	-	-	-	28,633	28,633
<b>Total financial assets</b>		<b>10,053</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>29,176</b>	<b>39,265</b>
<b>Financial liabilities</b>							
Trade and other payables		-	-	-	-	744	744
Trust funds and deposits		-	-	-	-	829	829
Interest-bearing loans and borrowings	5.97%	-	200	1,880	-	-	2,080
<b>Total financial liabilities</b>		<b>-</b>	<b>200</b>	<b>1,880</b>	<b>-</b>	<b>1,573</b>	<b>3,653</b>
<b>Net financial assets / (liabilities)</b>		<b>10,053</b>	<b>(200)</b>	<b>(1,880)</b>	<b>36</b>	<b>27,603</b>	<b>35,612</b>

#### 2018

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'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>
<b>Net financial assets / (liabilities)</b>		<b>7,961</b>	<b>(187)</b>	<b>(1,973)</b>	<b>(71)</b>	<b>24,159</b>	<b>29,889</b>



## Notes to the Financial Report For the Year Ended 30 June 2019

### 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:

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	9,976	7,866	9,976	7,866
Trade and other receivables	656	524	656	524
Investment in water corporation	28,633	25,048	28,633	25,048
<i>Total financial assets</i>	<u>39,265</u>	<u>33,438</u>	<u>39,265</u>	<u>33,438</u>
<i>Financial liabilities</i>				
Trade and other payables	744	623	744	623
Trust funds and deposits	829	659	829	659
Interest-bearing loans and borrowings	2,080	2,267	2,080	2,267
<i>Total financial liabilities</i>	<u>3,653</u>	<u>3,549</u>	<u>3,653</u>	<u>3,549</u>

#### (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.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.9 Financial instruments (cont.)

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.

#### 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 policy.

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 Institutions (AA credit rating)	Financial Institutions (BBB+ credit rating)	Government agencies (AA+ credit rating)	Total
<b>2019</b>				
Cash and cash equivalents	9,654	284	38	9,976
Trade and other receivables	-	-	-	-
Investments and other financial assets	-	-	-	-
<b>Total contractual financial assets</b>	<b>9,654</b>	<b>284</b>	<b>38</b>	<b>9,976</b>
<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>

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.9 Financial instruments (cont.)

<b>Movement in provisions for impairment of expected credit loss</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Balance at the beginning of the year	-	-
New provisions recognised during the year	25	-
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	-	-
Balance at end of year	<b>25</b>	<b>-</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:

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Rates (secured on property)	77	95
Current (not yet due)	456	275
Past due by up to 30 days	6	6
Past due between 31 and 180 days	18	30
Past due between 181 and 365 days	19	17
Past due by more than 1 year	80	102
Total Trade & Other Receivables	<b>656</b>	<b>525</b>

### Ageing of individually impaired trade and other receivables

At balance date, other debtors representing financial assets with a nominal value of \$24,717 (2017-18 \$0) were impaired. The amount of the provision raised against these debtors was \$24,717 (2017-18 \$0). The individually impaired debtors relate to general and sundry debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of trade and other receivables that have been individually determined as impaired at reporting date was:

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	25	-
Total Trade & Other Receivables	<b>25</b>	<b>-</b>

### 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.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.9 Financial instruments (cont.)

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

The table below lists the contractual maturities for financial liabilities.

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

2019	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	744	-	-	-	-	744	744
Trust funds and deposits	15	814	-	-	-	829	829
Interest-bearing loans and borrowings	98	102	214	1,666	-	1,963	2,080
<b>Total financial liabilities</b>	<b>857</b>	<b>916</b>	<b>214</b>	<b>1,666</b>	<b>-</b>	<b>3,536</b>	<b>3,653</b>

2018	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
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
<b>Total financial liabilities</b>	<b>715</b>	<b>754</b>	<b>200</b>	<b>1,771</b>	<b>107</b>	<b>3,420</b>	<b>3,547</b>



## Notes to the Financial Report For the Year Ended 30 June 2019

### 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)

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 Profit	basis points Equity	+100 Profit	basis points Equity
2019	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>					
Cash and cash equivalents	9,976	(200)	200	(100)	100
<b>Financial liabilities:</b>					
Interest-bearing loans and borrowings	2,080	(42)	42	(21)	21

		Interest rate risk			
		-2 %		+1%	
		-200 Profit	basis points Equity	+100 Profit	basis points Equity
2018	\$'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

## Notes to the Financial Report For the Year Ended 30 June 2019

### 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
  - Land under roads
  - Land improvements
  - Buildings
  - Roads, including formation earthworks, footpaths & cycleways and kerb & channel
  - Bridges
  - Stormwater
  - 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 2019.

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 2019

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Investment property	6.3	-	356	-	356
Investment in water corporation	4.2	-	-	28,633	28,633
Land	6.1	-	10,675	-	10,675
Land under roads			15,506		15,506
Land improvements				16,463	16,463
Buildings	6.1	-	23,456	-	23,456
Roads, including formation earthworks, footpaths & cycleways and kerb & channel	6.1	-	-	187,438	187,438
Bridges	6.1	-	-	11,817	11,817
Stormwater	6.1	-	-	51,513	51,513
Other infrastructure	6.1	-	-	1,893	1,893
		-	49,992	297,756	347,749

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

#### (a) Fair value hierarchy (cont.)

##### As at 30 June 2018

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'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 formation earthworks, footpaths & cycleways and kerb & channel	6.1	-	-	186,013	186,013
Bridges	6.1	-	-	12,703	12,703
Stormwater	6.1	-	-	51,226	51,226
Other Infrastructure	6.1	-	-	1,987	1,987
		-	68,909	276,977	345,886

##### *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.

The following assets / liabilities that are measured at fair value on a recurring basis have been subject to a transfer between levels of the hierarchy.

<i>Transfers from Level 2 to Level 3</i>	2019 \$'000	2018 \$'000
Asset		
Land improvements	16,463	19,460

As at 30 June 2018 land improvements and land under roads were categorised under land in note 9.10. As at 30 June 2019 land improvements and land under roads are now reported as separate categories of non-current assets, due to materiality and differences in the nature of these assets. Land improvements has been transferred from level 2 as at 30 June 2018 to level 3 as at 30 June 2019. This transfer has been made because the valuation technique used to derive the fair value measurement of land improvements used key unobservable inputs, which were significant to the valuation and therefore the overall valuation has been classified as level 3. There were no transfers between levels 1 and 2 during the year, nor any other transfers 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

##### Investment property

Council's investment property relates to Council's ownership interest in the Copping Refuse Disposal Site land. Fair value was determined by using Council's ownership interest against the land fair value at balance date. At 30 June 2019, Council held at 30% ownership interest in the land. The land fair value was determined by the Valuer-General as part of the municipal revaluation effective 1 July 2016. Adjustments using the Valuer-General adjustment factors are applied to the land fair value each two years until the next complete revaluation. If there is a material movement then the adjustment factors are applied. The land fair value was adjusted as at 30 June 2019 to reflect the Valuer-General's 2019 adjustment factors.

##### Investment in water corporation

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 2019, Council held a 1.54% (2017-18 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.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

#### (c) Valuation techniques and significant inputs used to derive fair values (cont.)

##### Land

Land fair values were determined by the Valuer-General as part of the municipal valuation effective 1 July 2010. Council will review the land fair values in the 2019-20 financial year against the Valuer-General's 2016 revaluation and the adjustment factors issued by the Valuer-General in 2019. If a material movement is found as a result of this review, Council will adjust the land fair values.

##### Land under roads

Land under roads was recognised for the first time in the 2016 financial statements, consistent with the report to Parliament by the Auditor-General No. 5 of 2013-14 Infrastructure Financial Accounting in Local Government. Because of its materiality, land under roads is now reported as a separate category of non-current assets. The fair value of land under roads was calculated by determining each asset's land classification and size dimensions and then applying the land classification rates supplied to Council by the Valuer-General. Council will review the land under road fair values in the 2019-20 financial year against the adjustment factors issued by the Valuer-General in 2019. If a material movement is found as a result of this review, Council will adjust the land under roads fair values.

##### Land improvements

The fair value of land improvements was determined by a qualified independent valuer, Assetic Pty Ltd, effective 30 June 2018 (with a prior period adjustment applied). Assetic Pty Ltd determined the fair value of Council's land improvement assets using fair value level 3 valuation inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

Assetic Pty Ltd's valuation technique used gross current values, which were assessed on the basis of replacement with a new asset having similar service potential and included allowances for project management and all incurred reasonable costs. The gross current values were derived from and included allowances for; all existing assets reaching the end of their useful life to be renewed in accordance with current industry design standards and replaced like for like, where possible; and reference from Rawlinson's (Australian Construction Handbook) 2017, Edition 35, using the high end of the nominate cost scale for greater accuracy, the base rate was taken from the main capital city of the state and the loading index applied, if applicable, and where applicable a country loading was applied to Council.

In determining the level of accumulated depreciation the assets were disaggregated into significant components which exhibit materially significant parts, which in turn have materially different lifecycles and must be depreciated separately. Assetic Pty Ltd derived Council's land improvement assets useful lives by using; evidence based information (including known construction dates and visual inspections); reference and benchmarking with the International Infrastructure Manual and neighbouring municipalities; and local knowledge of past construction practices and current environment. Depreciation values were determined using the change in written down value over a predictable time period, based on the asset's remaining service life profile. The remaining service life profile was derived from Assetic's Pty Ltd suite of benchmark profiles.

The gross current values used can be supported by market evidence (level 2), however Assetic Pty Ltd noted the key unobservable inputs (level 3) used in the valuation as; condition; unit rates; and useful and remaining life. Assetic Pty Ltd also assessed how changes in the inputs would affect fair value, including a fair value sensitivity analysis of unobservable inputs. These unobservable inputs were significant to the valuation and therefore the overall valuation has been classified as level 3.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

#### (c) Valuation techniques and significant inputs used to derive fair values (cont.)

##### Buildings

The fair value of buildings was determined by a qualified independent valuer, Assetic Pty Ltd, effective 30 June 2015. Assetic Pty Ltd determined the fair value of Council's building assets using fair value level 3 valuation inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

Assetic Pty Ltd valuation technique used gross current values, which were assessed on the basis of replacement with a new asset having similar service potential and included allowances for project management and all incurred reasonable costs. The gross current values were derived from and included allowances for; all existing assets reaching the end of their useful life to be renewed in accordance with current industry design standards and replaced like for like, where possible; and reference from Rawlinson's (Australian Construction Handbook) 2014, Edition 32, using the high end of the nominate cost scale for greater accuracy, the base rate was taken from the main capital city of the state and the loading index applied, if applicable, and where applicable a country loading was applied to Council.

In determining the level of accumulated depreciation the assets were disaggregated into significant components which exhibit materially significant parts, which in turn have materially different lifecycles and must be depreciated separately. Assetic Pty Ltd derived Council's building assets useful lives by using; evidence based information (including known construction dates and visual inspections); reference and benchmarking with the International Infrastructure Manual and neighbouring municipalities; and local knowledge of past construction practices and current environment. Depreciation values were determined using the change in written down value over a predictable time period, based on the asset's remaining service life profile. The remaining service life profile was derived from Assetic's Pty Ltd suite of benchmark profiles.

The gross current values used can be supported by market evidence (level 2), however Assetic Pty Ltd noted the key unobservable inputs (level 3) used in the valuation as; condition; unit rates; useful and remaining life; and residual values. Assetic Pty Ltd also assessed how changes in the inputs would affect fair value, including a fair value sensitivity analysis of unobservable inputs. These unobservable inputs were significant to the valuation and therefore the overall valuation has been classified as level 3.

##### 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. The exception to this is in relation to sealed components of road assets, for which accumulated depreciation is determined based on condition assessments.

Estimated useful lives and residual values are disclosed in note 3.4 and 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.

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

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

#### (c) Valuation techniques and significant inputs used to derive fair values (cont.)

##### Roads, including formation earthworks, footpaths & cycleways and kerb & channel

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.

Roads, including formation earthworks, footpaths & cycleways and kerb & channel, will be revalued by a qualified independent valuer during the 2019-20 financial year.

##### Bridges

A full valuation of bridge assets was undertaken by independent valuers, Tassspan, 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).

Bridges, will be revalued by a qualified independent valuer during the 2019-20 financial year.

##### Stormwater

Revaluation and assessment of stormwater assets was undertaken by Sorell Council Officers, effective 30 June 2019 (with a prior period adjustment applied). The valuations were based on depreciated replacement cost using unit replacement rates. Unit replacement rates were calculated using data provided by Tasmanian Local Government Authorities, which was averaged and indexed. Stormwater assets are managed in segments; end structures, culverts, drains and pits are the major stormwater categories.

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. The unit price is multiplied by the asset's length or size dimensions. The unit price applied is based on the size and construction material.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

#### (c) Valuation techniques and significant inputs used to derive fair values (cont.)

##### 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
Land Improvements	16,463	Condition, useful and remaining life, unit rates, residual value	Score 0 - As New to Score 6 - As Unserviceable Refer to note 3.4 for useful life	Significant increases (decreases) in the rated condition, useful and remaining life of assets in isolation would result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the adopted unit rates would result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the residual value would result in significantly higher (lower) fair value measurement.
Buildings	23,456		Condition 0 - As New to Condition 6 - Unserviceable Various asset specific residual values Refer to note 3.4 for useful life	
Roads, including formation earthworks, footpaths & cycleway and kerb & channel	187,438		Unit rate range from \$6.50/sqm (unsealed) to \$137.81 (premium footpath) Refer to note 3.4 for useful life	
Bridges	11,817		Refer to note 3.4 for useful life	
Stormwater	51,513		Unit rate range from \$240.17 (drains) to \$2,000 (end structures) Refer to note 3.4 for useful life	
Investment in Water Corporation	28,633	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.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.10 Fair value measurements (cont.)

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

The changes in level 3 property, infrastructure, plant and equipment assets with recurring fair value measurements are detailed in note 6.1. 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.

Transfers between level 1, 2 or 3 measurements during the year are detailed at note 9.10 (a). Council does not have any asset classes that comprise of both level 2 and level 3 assets.

**(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 to note 9.9.

Council's borrowings are measured at amortised cost with interest recognised in Statement of Comprehensive Income 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).



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 9.11 Events occurring after balance date

#### (a) Sorell Council Enterprise Agreement 2019

During the 2018-19 financial year the *Sorell Council Enterprise Agreement 2019* (the Agreement) was negotiated. The Agreement includes a new classification and remuneration structure. On 1 August 2019 Council conducted a secret ballot to determine if employees approved the Agreement. The majority of employees approved the Agreement. In August 2019, following the results of the secret ballot, Council sent the Agreement to the Fair Work Commission (FWC) for consideration and approval. Notification was received on 12 September 2019 that the Agreement was approved by the Fair Work Commission and, in accordance with s.54 of the Act, will operate from 19 September 2019. Council's employee entitlements (refer to note 7.3), have been calculated based on the Agreement, including the new classification and remuneration structure. The employee entitlement values at 30 June 2019 reflect Council's best estimate of anticipated future cash flows, in accordance with *AASB 119 Employee Benefits*.

#### Disposal of Public Land

On 17 September 2019 the Council resolved to agree in principle to the request from the Department of Police, Fire and Emergency Services to transfer for the sum of \$1.00 the Sorell Emergency Hub parcel of land at 47 Cole Street, Sorell and that each party bear their own associated costs.

No other 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:

#### Councillors

Councillor Kerry Vincent (Mayor 2012 to current; Councillor 2009 to current)  
Councillor Brett McDonald (Deputy Mayor 2011 to October 2018)  
Councillor Natham Reynolds (Councillor 2014 to current; Deputy Mayor November 2018 to current)  
Councillor Kerry Degrassi (Councillor 1996 to current; Mayor 1999 to 2000)  
Councillor Deborah De Williams (Councillor 2014 to current)  
Councillor Graeme Evans (Councillor 1999 to October 2018)  
Councillor Vlad Gala (Councillor 2014 to current)  
Councillor Geoffrey Jackson (Councillor November 2018 to current)  
Councillor Beth Nichols (Councillor November 2018 to current)  
Councillor Melinda Reed (Councillor November 2018 to current)  
Councillor Carmel Torenus (Councillor 1991 to 2012 and 2014 to current; Mayor 1994 to 1999 and 2000 to 2012)  
Councillor Lindsay White (Councillor 2011 to October 2018)

#### 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 January 2019)

Stephanie Gunn (March 2019 to current)

#### Acting Manager Finance & Information

Stephanie Gunn (January 2019 to March 2019)

#### Manager Human and Community Services

Jess Radford (August 2013 to current)

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.1 Related party transactions (cont.)

#### (ii) Councillor remuneration

2019	Short term employee benefits		Total Compensation AASB 124	Expenses <sup>2</sup>	Total allowances and expenses section 72
	Allowances	Vehicles <sup>1</sup>			
	\$	\$	\$	\$	\$
Mayor	53	-	53	3	56
Deputy Mayor	29	-	29	-	29
Councillors	105	-	105	5	110
<b>Total</b>	<b>187</b>	<b>-</b>	<b>187</b>	<b>8</b>	<b>195</b>

2018	Short term employee benefits		Total Compensation AASB 124	Expenses <sup>2</sup>	Total allowances and expenses section 72
	Allowances	Vehicles <sup>1</sup>			
	\$	\$	\$	\$	\$
Mayor	53	-	53	2	55
Deputy Mayor	28	-	28	-	28
Councillors	103	-	103	6	109
<b>Total</b>	<b>184</b>	<b>-</b>	<b>184</b>	<b>8</b>	<b>192</b>

<sup>1</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>2</sup> Section 72(1)(b) of the *Local Government Act 1993* requires the disclosure of expenses paid to Councillors.

#### (iii) Key Management Personnel remuneration

2019		Short term employee benefits				Post employment benefits			
	Number of employees	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> \$	Termination Benefits <sup>6</sup> \$	Non-monetary Benefits <sup>7</sup> \$	Total \$
Remuneration band									
\$60 001 - \$80 000	1	50	-	3	-	9	-	9	71
\$80 001 - \$100 000	1	96	2	7	-	10	-	(31)	84
\$140 001 - \$160 000	1	108	-	10	-	16	-	9	143
\$160 001 - \$180 000	1	135	-	10	-	19	-	9	173
\$200 001 - \$220 000	1	135	-	7	-	20	-	57	219
Total		524	2	37	-	74	-	53	690

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

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.1 Related party transactions (cont.)

#### (iii) Key Management Personnel remuneration (cont.)

<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. These payments are capped at 15% of base salary.

<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 allowances and 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> Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

<sup>7</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 was employed by Tasman Council and contracted to Sorell Council under a shared services contract, this contract concluded in October 2018. The Sorell Council reimbursed Tasman Council \$40,656.80 (2017-18 \$128,912 ), from July 2018 to October 2018, under this contract. From 22 October 2018 the General Manager was employed by Sorell Council.

#### (iv) Remuneration principles

##### Councillors

Remuneration levels for Councillors are set by the Department of Premier and Cabinet and reviewed annually in November. Expense reimbursements are paid for the travel to and from Council meetings. Councillor remuneration expenses also include expenses paid to Councillors in accordance with Sorell Council's Payment of Councillors Expenses and Provision of Facilities Policy.

##### 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

##### Transactions with associates

The Copping Refuse Disposal Site Joint Authority (CRDSJA) (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 CRDSJA in 2009. During the 2018-19 financial year Council maintained an ownership interest of 24% (2017-18 24%).

All transactions between Council and Southern Waste Solutions during the 2018-19 financial year were based on normal rates for such supplies and were due and payable under normal payment terms. The following transactions occurred between Council and Southern Waste Solutions during the 2018-19 financial year:

Nature of the transaction	Amount of the transactions during the year (including GST where applicable)	Outstanding balances, including commitments at year end	Terms and conditions
Council expense - Waste disposal fees	\$203,620	Accrued expenses - \$20,270	30 day invoice terms
Council income - Copping Refuse Disposal Site land rental	\$70,941	Nil	In accordance with the signed lease agreement, the Copping Refuse Disposal Site land valuation and Council's ownership interest
Council income - Council's share of CRDSJA's 2016-17 & 2017-18 profit share	\$34,958	Nil	In accordance with ownership interest.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.1 Related party transactions (cont.)

#### (vi) Transactions with related parties

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

Nature of the transaction	Amount of the transactions during the year (including GST where applicable)	Outstanding balances, including commitments at year end	Terms and conditions	Provisions for doubtful debts related outstanding balances	The expense recognised during the period relating to bad or doubtful debts due from related parties
Supply of materials <sup>1</sup>	\$8,144	Nil	30-day terms on invoices	Nil	Nil
Building Application Fees & Infrastructure Bond <sup>2</sup>	\$1,828	Nil	In accordance with Building Act 2016 & Council's approved fees & charges	Nil	Nil
Payment of Industrial Rates <sup>3</sup>	\$4,283	Nil	In accordance with Council's approved Rates & Charges Policy and 2018/2019 Rates & Charges Resolution	Nil	Nil
Notifiable Building Application <sup>4</sup>	\$154	Nil	In accordance with Building Act 2016 & Council's approved fees & charges	Nil	Nil
Return of Maintenance Bond <sup>5</sup>	\$10,000	Nil	12 month defects liability bond. In accordance with Council's approved fees & charges	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 Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

<sup>2</sup> Building Application Fees and an Infrastructure Bond were received in relation to a building application from Total Building and Excavations, an entity which is jointly controlled by family members of a Council KMP. The building application was lodged on 29 May 2018 and fees were paid to Council on 3 July 2018. The application was processed and approved in accordance with the Building Act 2016 by Council's internal permit authority. Building completion was issued by Council on 15 May 2019, in accordance with the Building Act 2016 and the infrastructure bond of \$1,000 was returned to the entity on 12 June 2019.

<sup>3</sup> During the 2018-19 financial year, close family members of a member of Council's KMP paid rates on a property classified by the Valuer-General as non-vacant industrial 113 Sawmill. This property is the industrial site for Torenus Timber Pty Ltd, a company which is jointly controlled by a member of Council's KMP and close family members. The rates were raised by Council in accordance with Council's approved Rates & Charges Policy and approved 2018-19 Rates & Charges Resolution. The rates were paid in full during the 2018-19 financial year, with an outstanding balance of \$0 as at 30 June 2019.

<sup>4</sup> Torenus Timber Pty Ltd, a company which is jointly controlled by a member of Council's KMP and close family members, lodged a Notifiable Building Application for the installation of solar panels during the 2018-19 financial year. The application fee was paid by the company and the application was lodged and processed by Council's internal permit authority in August 2018, in accordance with the Building Act 2016.

<sup>5</sup> Torenus Timber Pty Ltd, a company which is jointly controlled by a member of Council's KMP and close family members, completed a new subdivision development during the 2017-18 financial year. The development was approved by Council in accordance with the planning permit and all planning permit conditions were met. Council's KMP declared an interest and was not involved in the approval process. The maintenance bond held by Council for the 12 month defects liability period for this development was returned to the company in the 2018-19 financial year at the conclusion of the defect period.

In accordance with s84(2)(b) of the Local Government Act 1993, the General Manager has been notified in respect to interests in the following entities with which the Council has major financial dealings:

Sorell Council's Mayor is the Chairman on the board of Bendigo Bank's Sorell & District Community Bank Branch. Sorell Council held a term deposit with Bendigo Bank throughout the 2018-19 financial year, with a balance of \$283,563 at 30 June 2019. This balance made up 3% of Council's total cash and cash equivalents as at 30 June 2019. All transactions between Council and Bendigo Bank are made at arm's length and are on based on the same terms and conditions available to the general public.



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.1 Related party transactions (cont.)

#### (vii) 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 (special committee ceased January 2019)

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 2019.

### 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, 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 non-financial 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.

## Notes to the Financial Report For the Year Ended 30 June 2019

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

#### (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 9 *Financial Instruments*

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 Council's business model for holding the particular asset and its contractual cash flows.

Council has applied this standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but does require the presentation of both qualitative and quantitative disclosures for affected items, along with a corresponding adjustment to the opening balance of Accumulated surpluses for transitional effects of re-measurement.

The effect of adopting AASB 9 was assessed by Council and considered insignificant, as a result no adjustment was made as at 1 July 2018.

#### (a) Classification and measurement

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9. The classifications are primarily based on Council's business model in which a financial asset is managed and its contractual cash flow characteristics. The main effects resulting from reclassification are as follows:

- *Trade and other receivables* - classified as 'Loans and receivables' as at 30 June 2018, these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at 'Amortised cost' beginning 1 July 2018.
- *Investment in water corporation* - classified as an 'Available-for-Sale' financial asset as at 30 June 2018. As Council does not hold this equity investment for trading purposes, it has made an irrevocable election for this equity instrument to present any subsequent changes in fair value in Other comprehensive income. Under this approach only dividends are recognised in profit or loss. Council's Investment in water corporation is classified and measured as an 'Equity instrument at fair value through other comprehensive income' beginning 1 July 2018.
- Council did not designate any financial assets as at fair value through profit or loss.
- Council has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for Council's financial liabilities.

In summary, upon the adoption of AASB 9, Council had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 Category and carrying amount			AASB 9 Category and carrying amount			
			Amortised Cost	Fair value through profit or loss	Fair value through OCI	Equity instrument at fair value through OCI
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables						
Trade and other receivables*	5.2	524	524	-	-	-
Available-for-sale						
Investment in water corporation	4.2	25,048	-	-	-	25,048
			524	-	-	25,048

\*The change in carrying amount is a result of additional impairment allowance. Refer to discussion on impairment below.

#### (b) Impairment of financial assets

The adoption of AASB 9 has fundamentally changed Council's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach, with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Council to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

Upon adoption of AASB 9, Council did not recognise an additional impairment on trade and other receivables at 1 July 2018, as the effect of adopting AASB 9 was assessed as insignificant.



## Notes to the Financial Report For the Year Ended 30 June 2019

### 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 2019 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

#### (i) AASB 15 *Revenue from Contracts with Customers*

The standard has been deferred by AASB 2016-7 *Deferral of AASB15 for Not-for-Profit Entities*, until the 2019-20 reporting period.

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 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 at note 2.4 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.

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

This standard has been deferred until the 2019-20 reporting period.

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 currently has nineteen (19) crown land peppercorn leases. Council is yet to determine the impact of this change. The change will result in the recognition of a right-of-use lease assets and a remaining lease liability. The balance will be adjusted against accumulated surpluses.

## Notes to the Financial Report For the Year Ended 30 June 2019

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

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, 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 assessed these requirements and determined that if the volunteer services provided to Council were not donated, then they would not be purchased by Council. The effect of this change is considered insignificant to Council.

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.

#### (iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Council will apply the standard from 1 July 2019. Exemptions allow councils to apply AASB 117 for the 30 June 2019 reporting year.

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. Council's existing lease commitments are disclosed in note 9.7.

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.

#### (iv) AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Correction, applicable to annual reporting periods beginning on or after 1 January 2022.

The amendments address an 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.

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.



## Notes to the Financial Report For the Year Ended 30 June 2019

### 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.

During the 2018-19 financial year the Office of the Tasmanian Economic Regulator (OTTER) wrote to Council concerning Council's Recreational Vehicle (RV) Park and a complaint that Council is contravening the Competitive Neutrality Principles by providing low cost RV camping services in Sorell. OTTER originally proposed that this was a significant business activity of Council, however Council have challenged this and the determination has been referred to the Treasurer for further consideration. Council are currently waiting to hear back from the Treasurer and as at 30 June 2019 Council had not been provided with a determination from the Treasurer.

Note 10.5 Management indicators	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
<b>(a) Underlying surplus or deficit</b>					
Net result for the year		5,239	(1,025)	3,596	12,561
Less non-operating income					
Capital income		4,073	1,624	2,502	12,912
Net gain / (loss) on de-recognition/recognition		(74)	-	-	-
Commonwealth Financial Assistance Grant received in advance		27	(6)	1,076	(1,145)
Add non-operational expenses		-	-	-	-
Underlying surplus / (deficit)	0	1,213	(2,643)	18	794
The intent of the underlying result is to show the outcome of a Council's normal or usual day to day operations. The result is within range.					
<b>(b) Underlying surplus ratio</b>					
<u>Underlying surplus or deficit</u>		1,213	(2,643)	18	794
Recurrent income*		18,525	14,679	17,515	16,901
Underlying surplus ratio %	0%	7%	(18%)	0%	5%
This ratio serves as an overall measure of financial operating effectiveness. The result is within range.					
<b>(c) Net financial liabilities</b>					
Liquid assets less		10,590	8,342	7,174	8,336
total liabilities		5,032	4,781	4,861	5,032
Net financial liabilities	0	5,558	3,561	2,313	3,304
This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall. Council exceeds benchmark.					
<b>(d) Net financial liabilities ratio</b>					
<u>Net financial liabilities</u>		5,558	3,561	2,313	3,304
Recurrent income*		18,525	14,679	17,515	16,901
Net financial liabilities ratio %	0% - (50%)	30%	24%	13%	20%
This ratio indicates the net financial obligations of Council compared to its recurrent income. Council exceeds benchmark.					

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.5 Management indicators (cont.)

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
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#### (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*

<u>Depreciated replacement cost</u>	144,055	138,080	134,511	132,210
Current replacement cost	218,105	210,361	221,685	217,017

Asset consumption ratio %	66%	66%	61%	61%
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##### *Buildings*

<u>Depreciated replacement cost</u>	19,117	19,611	19,679	19,918
Current replacement cost	24,636	24,235	23,655	23,313

Asset consumption ratio %	78%	81%	83%	85%
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##### *Stormwater*

<u>Depreciated replacement cost</u>	38,969	38,616	36,082	22,882
Current replacement cost	52,325	51,568	47,388	33,420

Asset consumption ratio %	74%	75%	76%	68%
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This ratio indicates the level of service potential available in Council's existing asset base. The Council has had asset management and long term financial plans since June 2014. The funding requirements for all categories of assets are reviewed on an annual basis.

#### (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>	51,792	63,682	76,900	31,500
Projected capital expenditure funding***	50,186	63,000	66,500	29,748

Asset renewal funding ratio %	90-100%	103%	101%	116%	106%
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##### *Buildings*

<u>Projected capital funding outlays**</u>	10,019	9,377	9,079	2,394
Projected capital expenditure funding***	10,478	9,702	9,329	648

Asset renewal funding ratio %	90-100%	96%	97%	97%	369%
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##### *Stormwater*

<u>Projected capital funding outlays**</u>	9,301	7,684	8,064	395
Projected capital expenditure funding***	9,801	7,920	8,075	260

Asset renewal funding ratio %	90-100%	95%	97%	100%	152%
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\*\* 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. The result for all categories are within range.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.5 Management indicators (cont.)

2019	0	2018	2017	0	2016
\$'000		\$'000	\$'000		\$'000

#### (g) Asset sustainability ratio

Capex on replacement/renewal of existing  
assets

4,885	4,678	5,645	2,405
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Annual depreciation expense

5,151	5,160	5,014	4,702
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Asset sustainability ratio %

100%	95%	91%	113%	51%
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This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base.

The result is within range.

#### 2019

	Capital renewal expenditure	Capital new /upgrade expenditure	Total Capital Expenditure
	\$'000	\$'000	\$'000
By asset class			
Transport infrastructure	4,399	1,559	5,958
Stormwater	-	226	226
Land and buildings	58	352	410
Other	428	293	721
<b>Total</b>	<b>4,885</b>	<b>2,430</b>	<b>7,315</b>

#### 2018

	Capital renewal expenditure	Capital new /upgrade expenditure	Total Capital Expenditure
	\$'000	\$'000	\$'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>



## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.6 Material budget variations

Council's original budget was adopted by the Council on 19 June 2018, with the Mid Year Budget Review adopted by Council on 19 February 2019. 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 User fees

User fees income was above budget by \$97k (17%) for the 2018-19 financial year. The Sorell municipality continued to enjoy population growth during the 2018-19 financial year and as a result Council experienced higher than expected activity levels in a number of areas. This included building, plumbing and engineering fees, which were above budget as a result of higher than expected development activity levels. Animal management and environmental health management income were also above budget, which is also due to higher than expected activity levels in the growing municipality.

##### 2 Grants

The variation for operating grants was up \$1.081 million on budget (95%), this is 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 2017-18 by \$1.070 million and 2018-19 by \$1.097 million. This has impacted the Statement of Comprehensive Income resulting in the surplus/(deficit) being higher in both years by these amounts.

##### 3 Contributions - Cash

Contributions - Cash income was above budget by \$51k (124%) for the 2018-19 financial year. Contributions - Cash income relates to public open space contributions. Development activity in the Sorell municipality was greater than expected in the 2018-19 financial year, due to continued population growth in the area. This resulted in Contributions - Cash income being over budget.

##### 4 Interest

Interest income was above budget by \$94k (42%) for the 2018-19 financial year. This is a result of greater cash reserves held throughout the financial year than expected, largely due to planned capital expenditure being delayed to later in the financial year than expected. This consequently resulted in additional monies held available for investment. This budget variance is also a result of one investment being inadvertently excluded from the budgeted interest income calculation.

##### 5 Other income

Other income was above budget by \$203k (29%) for the 2018-19 financial year. This is a result of a number of income streams being above budget, due to a number of unexpected transactions that were not budgeted for, including:

- Community facility hire income was above budget due to higher than expected activity levels, as a result of increased use of community facilities by community groups and members of the public.
- Insurance recoveries was above budget, as the result of the receipt of unbudgeted insurance recoveries, including insurance recoveries relating to re-building the Dodges Ferry recycling centre, which burnt down in the 2018-19 financial year.
- Workers compensation reimbursements was above budget, as a result of the receipt of unbudgeted insurance recoveries.
- External labour hire recoveries was above budget, which was a result of Council's shared services activity being greater than expected, as well as unbudgeted expense reimbursements received from South East Regional Development Association (SERDA) in relation to the South East Workforce Development Project.
- Other income was above budget, which is largely the result of Council completing works on private driveways, which were not budgeted for. Other income was also over budget, as a result of the receipt of un-budgeted Copping Disposal Refuse Joint Authority profit share income from the 2016-17 and 2017-18 financial years.

## Notes to the Financial Report For the Year Ended 30 June 2019

### Note 10.6 Material budget variations (cont.)

#### 6 Capital grants

Capital grant income was above budget by \$960k (73%) for the 2018-19 financial year. This is a result of Council receiving a number of grants for new or upgraded assets, which were not budgeted for. These grants were not budgeted for because at the time of preparing the budget, a signed grant deed had not been received by Council. This includes the Levelling the Playing Field Grant of \$630k, which is a non-reciprocal grant which was obtained on the condition that it be expended for a specific purpose. This specific purpose had not been met at 30 June 2019 and therefore it has been disclosed as unexpended at note 2.4. Actual capital grant income also included an unbudgeted amount of \$206k relating to the final milestone payment for the replacement of Sunnyside Bridge. The replacement of Sunnyside Bridge took place in 2018-19 financial year, however the final milestone payment was not expected to be paid until early in the 2019-20 financial year and was therefore not budgeted in 2018-19. The invoice for the final milestone payment was raised in June 2019, as the project had reached practical completion and the Department of State Growth had approved the early payment. The remainder of the capital grant income variance relates to a number of smaller grants for new or upgraded assets, which were not budgeted for.

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

Net gain / (loss) on disposal of property, infrastructure, plant and equipment is above budget by (\$997k) (106%) for the 2018-19 financial year. This is principally due to the unbudgeted disposal of \$1.182 million of infrastructure assets, in accordance with *AASB 116 Property, Plant and Equipment* and contemporary asset management practice. This net loss on disposal is offset slightly by the gain on disposal of surplus land and motor vehicles, which were sold in the 2018-19 financial year.

#### 8 Other Capital Income

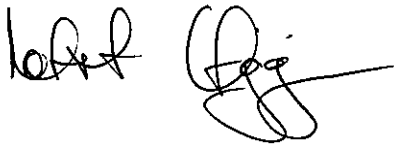
All other capital income was not budgeted for in the 2018-19 financial year, due to the unpredictable nature of these income streams. This includes; contributions - non-monetary assets; net gain / (loss) on de-recognition / recognition of property, infrastructure, plant and equipment; share of net profits / (losses) of associates and joint ventures accounted for by the equity method; and fair value adjustments for investment property.

#### 9 Expenses

All expenditure categories were within 10% of budget and did not experience any material variances. An unbudgeted impairment of receivables expense was recorded in the 2018-19 financial year. Impairment of receivables was not budgeted for due to Council's past record of a very low historical debtor default rate.

## CERTIFICATION OF THE FINANCIAL REPORT

The financial report presents fairly the financial position of the Sorell Council as at 30 June 2019 and the results of its operations and cash flows for the year then ended, in accordance with the Local Government Act 1993. (as amended), Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.

A handwritten signature in black ink, appearing to read 'Robert Higgins', with a long horizontal stroke extending to the right.

Robert Higgins  
General Manager

Date: 27/09/2019



## MANAGEMENT CERTIFICATION OF THE FINANCIAL REPORT

The accompanying financial statements of the Sorell Council are in agreement with the relevant accounts and records and have been prepared in compliance with:

- Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
- The Local Government Act 1993.

I believe that, in all material respects, the financial statements present a view which is consistent with my understanding of Council's financial position as at 30 June 2019 and the results of its operations and cash flows for the year then ended.

At the date of signing this certification, I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Gunn', is positioned above the printed name and title of the signatory.

Stephanie Gunn  
Manager Finance & Information

Date: 27/09/2019

## AUDIT OPINION



### 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 the Sorell Council (Council), which comprises the statement of financial position as at 30 June 2019 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 2019 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, the asset renewal funding ratio disclosed in note 10.5, nor the Significant Business Activities disclosed in note 10.4 to the financial report and accordingly, I express no opinion on them.

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

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<b>Valuation of property and, Infrastructure</b> <i>Refer to notes 3.4, 6.1 and 9.10</i>	
<p>Property and infrastructure at 30 June 2019 includes land, buildings, roads, stormwater, formation earthworks and other infrastructure assets at fair value totalling \$218.48m. The fair values of these assets are based on market values and current replacement cost. Council undertakes formal revaluations on a regular basis to ensure valuations represent fair value.</p> <p>The valuations are highly dependent upon a range of assumptions and estimated unit rates. Between valuations Council reviews fair values and applies relevant indexation where considered necessary to ensure the carrying amount does not differ materially. There were no revaluations in 2018-19.</p> <p>The calculation of depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions and depreciation policies can significantly impact the depreciation charged.</p> <p>Capital payments in 2018-19 totalled \$7.32m on a number of significant programs to upgrade and maintain assets. Capital projects can contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.</p>	<ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the valuation methodology applied to determine fair values.</li> <li>• Reviewing management's approach to revaluations to ensure that carrying amounts remain fairly presented.</li> <li>• Evaluating management's assessment of the useful lives.</li> <li>• Performing substantive analytical procedures on depreciation expenses.</li> <li>• Testing, on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment.</li> <li>• Testing, on a sample basis, capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred in a timely manner.</li> <li>• Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.</li> </ul>

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### **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 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.

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- 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.

From the matters communicated with the General Manager, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Leigh Franklin  
**Assistant Auditor-General, Financial Audit Services**  
**Delegate of the Auditor-General**

**Tasmanian Audit Office**

27 September 2019  
 Hobart

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A pedestrian walkway was installed over China Creek on Lewisham Scenic Drive thanks to grant funding from the Department of State Growth's Vulnerable Road Users Program.





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