



ANNUAL REPORT

2019 - 2020





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.



Australia Day Awards presentation event 2020

SORELL COUNCIL

Annual Report 2019 - 2020

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Sweetwater Park

ABOUT SORELL

Sorell is a diverse community, located in one of the most beautiful parts of the world. We enjoy a relaxed rural and seaside coastal lifestyle, only 25 kilometres out of Hobart.

Community, Coast, Country is Council's tagline and it describes us perfectly. Our beautiful rolling hills and stunning beaches are matched only by the vibrant people who live and work in our community.

Established in 1862, Sorell is one of Tasmania's oldest Towns and celebrates its bicentenary in 2021. Our Municipality covers some 583 square kilometres of rolling countryside, low forested hills and the long coastline of the spectacular Southern Beaches.

Sorell is the heart of the south east and 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. Sorell is a bustling shopping district with numerous cafes, specialty shops, major supermarket chains, well known branded food outlets, pubs and Government services including Service Tasmania and Centrelink.

Rich in history, the Municipality has a vibrant artistic 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, have become increasingly attractive to retirees and families who are keen to take advantage of the relaxed beachside lifestyle. In summer, an influx of shack owners and visitors significantly swells the population of this area.

The Sorell Municipality continues to attract people with its affordable housing and close proximity to services and Hobart. The Department of Treasury and Finance's 2019 population projections confirm that Sorell is 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 15 December 2020 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

Mail: PO BOX 126, Sorell TAS 7172.

Submissions must be received by close of business Tuesday 8 December 2020.

MAYORS REPORT

The 2019 - 2020 financial year was another busy year which saw Council make sound progress on our identified key projects and programs.

The development of the new ten year *Strategic Plan 2019-2029* gave Council a renewed focus on the future growth and direction of our community. Facilitating regional growth through continuing our positive working relationship with the Government and planning for our community's needs remain our ongoing priorities.

We endorsed several Strategies and Plans during the year to help guide our practices, the way we manage our infrastructure and assets and engage with our customers and community. These include the Customer Service Strategy, Communication and Engagement Strategy and Land Improvement Asset Management Plan. Sound progress was also made on the development of our Open Space Strategy.

The rise of the COVID-19 pandemic was a major setback for us all. The majority of Council indoor staff worked remotely from home but the show went on. It was business as usual for Council services and projects. Whilst it had a big impact on our community and local businesses, I'm pleased with how we came together and supported one another through such a challenging, scary and unprecedented time.

As we head into recovery from the effects of COVID-19 we are well placed to weather this storm. Many of the things we've been doing for some time have us well placed to smoothly navigate these unsure waters.

Around four years ago the South East Region Development Association (SERDA) started working on a strategy to develop local training programs and jobs initiatives so that we could get local people into local jobs to keep people working locally and spending money in local businesses. Our efforts to make the south east region more sustainable and responsive to our local requirements for training and jobs creation has been well documented and recognised. Other regions across Tasmania are now trying to replicate what we've done.

SERDA's Workforce Engagement and Development Officer Andrew Hyatt continues to produce results far above expectations. He works with local industries, businesses and employers to discuss their staffing requirements and what can be done to address these.

The team at the South East Employment Hub link local people with local jobs and assist community members on their individual journey to further education and training and/or employment, including linking them with other services.

The South East Trade Training Centre led by Rick Birch trains locals in a range of vocational and general courses to ensure they have the skills that local employers require.

The newly created SERDA Business Advisor role held by Greg Bowers provides advice and information to local businesses about what support they can receive. Greg provides free independent advice to help both start-up businesses and established businesses looking at expanding reach their full potential. This work is important in connecting the dots between employers, employees and workforce training organisations. It's another piece in the puzzle of providing local solutions for the region.

These extremely focused people work collaboratively together across all levels. The programs work seamlessly and strategically together, preparing locals of all ages to meet industry sector needs now and into the future. We've removed many of the barriers that people in the south east face by keeping training and support programs local. The barrier we now face is lack of ongoing funding. We will continue to advocate for the Government to fund these programs as we know they are working.

I'm pleased to see the Business Council of Sorell reinvigorated. Approximately 50 business owners come together quarterly to have informative and relaxed meetings with open dialogue between businesses. Its popularity and presence continues to grow, as do the numbers of businesses involved.

The wet weather we experienced during 2020 highlighted the pressure our stormwater infrastructure is under. I was pleased with how responsive our works crew were when issues did arise. I appreciate that they are out in the weather carrying out remediation works when the rest of us are staying warm and dry inside.

Council engaged Entura to carry out Stormwater modelling and develop a System Management Plan to assist us meeting our requirements under the *Urban Drainage Act 2013*. This Plan will help us to manage our current stormwater systems and plan for our future stormwater requirements. Stormwater remains an ongoing issue for our fast growing community and it is something Council will need to invest in as a priority in the coming years. Council will continue to find practical and sustainable ways to manage our stormwater infrastructure and work with the community, to educate them on their responsibilities.

This year we received the exciting confirmation of funding for the construction of a stadium complex at Pembroke Park. Council is committed to making Pembroke Park the sporting and recreation hub for the South East region and the stadium complex is a core component that we've been working towards for many years. The Master Plan has a key focus on increasing facilities for the greater South East region, in order to facilitate greater participation levels and better cater for a diverse range of participants.

The stadium includes two netball/basketball courts, gym, three offices, meeting room, four internally accessed change rooms, four externally accessed change rooms, umpires change

rooms, storage, kitchen/canteen, bar, function room, parking, access and landscaping. A new access road for the stadium will be constructed off Montagu Street. The opportunities this stadium will provide for basketball in our region are very exciting. Currently many people each week travel out of our Municipality to play basketball elsewhere in Hobart. I envisage that there could be hundreds of people playing basketball in Sorell regularly in the very near future. Funding for the project was secured through grants of \$2.5 million from the State Government and \$6 million from the Federal Government's Community Development Grants Programme. We appreciate their support in making Pembroke Park the regional sporting centre for the South East.

The Levelling the Playing Field Unisex Change Rooms commenced construction in late 2019. The facility includes unisex change rooms, public toilets and umpires amenities. Council was awarded \$630,000 from the State Government in their Levelling the Playing Field Grant Program. Funding was also secured from Bendigo Sorell & District Community Bank and AFL Tasmania. The project is expected to be completed around Christmas 2020. These change rooms will provide an invaluable facility for the Clubs at Pembroke Park. The current change rooms and amenities on site are inadequate and have been constraining growth in participation rates. This project will support an increase in female participation in sport and recreation, most specifically AFL and Cricket, through the provision of facilities that are safe, contemporary and appropriate.

Other projects at Pembroke Park during the year included works on the back oval to upgrade the cricket pitch and install a scoreboard.

The next twelve months show no sign of easing up. There are numerous exciting projects underway that will have significant positive long term effects for our community and wider region. We continue to work to make our community resilient and sustainable and to advocate for the Government to keep investing in the South East region.

I give my sincere thanks to Council's management, staff and my fellow Councillors for their ongoing efforts during 2019 – 2020. Most residents would be unaware just how hard Council staff work for the community. They are to be commended for their focus and attention to detail. I'd also like to thank residents who have participated in our Community Conversations and community engagement opportunities and provided their thoughts and feedback. Regardless of people's thoughts and opinions, it's encouraging to see so many people willing to contribute to the future direction of the Sorell Municipality. I'd also like to thank members of our Seniors Advisory Group (SAG) for their input and support for numerous community projects. We will continue to work together as a team for the benefit of the community we live and work in, and are all committed to serving.

Kerry Vincent
Mayor



Mayor Kerry Vincent and Premier Peter Gutwein on the Liberal Lyons team community visit.

GENERAL MANAGERS REPORT

The 2019 - 2020 financial year commenced with the organisation focused on delivering the first year of our new 10 year Strategic Plan via the Annual Plan, a new Communication and Engagement Strategy, revised Customer Service Charter, finalising a Stormwater System Management Plan (SSMP), developing an Open Space Strategy and delivering a wide range of services, maintenance and \$7.75m of capital works including securing \$9m of funding for the Pembroke Park Levelling the Playing Field unisex changeroom facility and sports stadium.

By March 2020 though, the operating environment changed considerably. The manner by which the organisation, elected members and community worked together with the State Government (and continue to) was a credit to all concerned.

I am proud that our Purpose, Vision and Values as stated in the Strategic and Annual Plans were not affected throughout the year. In fact, they were strengthened. With the new Strategic Plan, Council is committed to ensuring the Objectives, Outcomes and Directions are implemented. The challenge remains for Council to deliver on these sustainably and to remain focused.

Ensuring our engagement and advocacy efforts were evidence based and targeted within Government again delivered satisfying results for the region. Dealing with State and Federal Agencies can be challenging at times but with regard to key infrastructure requirements necessary to serve a rapidly growing region, the robust evidence cannot be ignored and to their credit, the delivery of transport, emergency services, education and recreation infrastructure projects were again supported and progressed during 2019 – 2020.

Further, ensuring that Council is positioned to positively influence plans, programs and operations is equally important. To that end, we are grateful for the opportunity afforded to us by 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, Sorell Business Council and Hobart Airport Corporation.

Our organisation is limited in the financially sustainable supply of staff resources by comparison to larger metropolitan Councils. How we deliver services to our communities requires in some operational areas, an alternative approach. To that end, the Communication and Engagement Strategy will become a key operational document to address the increasing need and expectation for Local Government to engage with communities. When implemented appropriately, communication and engagement in a small organisation can be an effective tool to drive efficiencies. We will continue to review our performance against the Strategy accordingly.

Council with the other SERDA members undertook a review of the 2015 South East Economic

Infrastructure Strategy with KPMG and updated the underpinning demographic, social and economic data that continues to highlight the opportunities and needs associated with a key residential, commercial, industrial, tourism and agricultural region of the State.

Generating and supporting local employment and training was and remains a key focus for Council. The early success of the South East Employment Hub project has continued to grow culminating in the organisation also being awarded the Business Enterprise Centre program through State Growth. The evidence of the models effectiveness is such that it has been replicated across the State and now at the Federal level. SERDA has identified as a priority the importance of securing ongoing funding beyond the current Tasmanian Community Fund grant that ties Local Government and industry together.

The success of the model that also reduces demand on the transport corridor and strengthens local economies, would be increased if there was land available to accommodate local trades and services. The lack of service industrial – light industrial land throughout the Municipal area is a major concern. To that end, the long overdue review of the Southern Tasmania Land Use Strategy remains a key focus of Council.

Appointing a development proponent for the Dunalley Marina project was finally resolved and will lead to the delivery of this sought after regional facility. The concept would not have reached this stage without the long running efforts of a volunteer steering committee, the local community and the support of the Department of State Growth.

Conversion of all street lighting to LED was completed which is expected to become profitable within five years based on Council saving approximately \$7k per month through reduced power consumption. Council joined a group of Councils through the LGAT with assistance from Ironbark Consultancy to carry out a combined tender.

Our Council land disposal program was halted whilst an Open Space Strategy was developed and exhibited for community feedback. The Strategy will be finalised during 2020 - 2021 with Council to then review disposal, retention and development opportunities of the broad mix of Council owned land taking into account what land the Council requires, its current and future function and associated costs. Council was required to dispose of one site due to risks associated with management of a dam. The process was undertaken in accordance with the *Local Government Act 1993* and the Pawleena Dam subsequently sold to a private purchaser.

Council's Audit Panel further evolved their statutory role balanced against a pragmatic approach of assisting the organisation deal with a growing regulatory environment that also delivers value. The appointment of a dedicated 0.40 FTE WHS Officer late in the financial year has already generated significant benefit to the organisation and every employee by ensuring a new focus on WHS performance. The work undertaken will flow into a review of Council's overall strategic and operating risk environment during 2020 - 2021. The Audit Panel has

played a key role in furthering these outcomes to assist the organisation.

We continued our commitment to contemporary and fit for purpose asset management practices including the adoption of a second generation Transport Asset Management Plan, new capitalisation policy and incorporating outcomes of the SSMP into the SSA (GIS system). The completion of the SSMP by Entura has resulted in a significant body of work that will better inform current and future land development decisions, facilitate fit for purpose stormwater asset decisions and assist in managing risks associated with storm generated inundation. It also plays a major role in the evolution of the Stormwater Asset Management Plan with regard to identifying required capital expenditure to address network shortcomings which are then incorporated into the Long Term Financial Management Plan.

Sorell's financial position through 2019 - 2020 was again sound and consistent with our 20 year forecast despite COVID-19. Whilst we are incrementally shoring up our ability to maintain our operations regarding day to day functions, asset maintenance and asset replacement, our ability to generate revenue to build new assets or upgrade existing assets is still limited. Residential growth alone does not provide the extent of rate dense land necessary to position Council to either service significant borrowings or quickly build cash reserves.

The 2019 - 2020 budget delivered an end of year net surplus of \$7.101m against a budgeted surplus of \$1.128m. This was principally impacted by an increase in Operating Grant income of \$1.247m, contributions of non-monetary assets to the value of \$5.298m (i.e. assets donated through subdivision development) and equity share of Copping Refuse Disposal Site Joint Authority of \$1.001m. This flowed into one of the key management indicators of the Tas Audit Office, the underlying position which showed a surplus of \$367k.

This comprises the net operating result (\$7.101m) less non-operating capital income (\$6.575m) and FAG's received in advance (\$159k). For comparative purposes, the prior year positions have been:

- 15/16 surplus of \$794k;
- 16/17 surplus of \$18k;
- 17/18 deficit of \$2.643m; and
- 18/19 surplus of \$1.248m.

The 2019 - 2020 result has been factored in to the 20 year long term financial plan to inform successive budgets, revenue requirements and if there is any impact on services. This is even more important as we consider the economic and social impacts of Covid-19 into the future which will have a significant effect on the 2020-2021 operating position.

Council delivered a Capital Works Program of \$7.26m including another 95% asset sustainability ratio from \$4.925m of asset renewal/replacement, \$2.335m for new/upgraded

assets and maintenance expenditure of \$2.469m. Our net assets and total equity all increased from \$281.084m to \$297.131m inclusive of our cash position from \$9.976m to \$11.360m.

Whilst the 2019 - 2020 year didn't play out as expected, seeing how the organisation responded to establishing a new operating environment and attitude was very gratifying. Taking the role of community leadership seriously by responding to Covid-19 financial pressures and risks further reinforced the responsive and genuine role of Council within the community. My sincere thanks to our staff who always strive to deliver a broad range of services, maintenance activities, capital works programs with a genuine desire to do the very best for the community.

Robert Higgins
General Manager



Dodge's Ferry Boat Ramp upgrade

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 – Chair
- Sorell Tasman Affected Area Recovery Committee – Co-Chair
- 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
- Development Assessment Special Committee



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
- 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



COUNCILLOR ALLOWANCE AND EXPENSES

In 2019 - 2020 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	17	17	17	1	1	5	5
Councillor Kerry Degrassi*	12	6	18	4	17	10	1	1	5	0
Councillor Deborah De Williams*	12	8	18	9	17	12	1	1	5	3
Councillor Vlad Gala	12	10	18	14	17	15	1	1	5	5
Councillor Geoffrey Jackson	12	12	18	18	17	17	1	1	5	5
Councillor Beth Nichols	12	12	18	18	17	17	1	1	5	5
Councillor Natham Reynolds	12	12	18	18	17	16	1	1	5	5
Councillor Melinda Reed	12	11	18	17	17	17	1	1	5	5
Councillor Carmel Torenus*	12	9	18	10	17	13	1	1	5	5

*Approved Leave of Absence during the financial year



Australia Day Awards Presentation Event - Citizenship Ceremony

STATUTORY REPORTING

CODE OF CONDUCT

The number of code of conduct complaints that were upheld either wholly or in part during the preceding financial year – One.

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 – TBA.

CONTRACT FOR THE SUPPLY OF GOODS AND SERVICES

In accordance with Regulation 29(1) of the *Local Government (General) Regulations 2015*, the following are particulars of all tendered contracts for the supply or provision of goods and services valued at or exceeding \$250,000 (excluding GST) entered into by Council during the 2019 - 2020 financial year.

Item	Description of Contract	Contract Period	Contract Value \$	Successful Contractor
1	Road Resealing	October 2019 – March 2020	\$314,792.20	Rockit Asphaltting
2	Lewisham Road Reconstruction	January 2020 - March 2020	\$381,673	JRV Civil Construction
3	Brinktop Road Reconstruction	January 2020 - March 2020	\$1,202,372	Andrew Walter Construction
4	Sugarloaf Road Reconstruction	January 2020 - March 2020	\$375,184	Batchelor Civil Construction
5	Levelling the Playing Field Unisex Change Rooms	April 2020 – June 2020	\$1,126,838	Taswide Constructions

In accordance with Regulation 29(3) of the *Local Government (General) Regulations 2015*, the following are particulars of all contracts for the supply or provision of goods and services valued at or exceeding \$100,000 (excluding GST) entered into by Council during the 2019 - 2020 financial year.

Item	Description of Contract	Contract Period	Contract Value \$	Successful Contractor
1	Fulham Road - Stablisation and Sealing	August 2019 - September 2019	\$160,000	Andrew Walter Construction
2	Marion Bay Road Repair	April 2020 – June 2020	\$157,364	Luke Moore Contracting

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 \$4,826,708 (2018 – 2019: \$2,872,978), which was \$3,597,332 above budget.

The major contributing factor to the result was an increase in gate waste receipts revenue, which was above budget by \$4,503,063.

The total comprehensive surplus for the year was \$3,530,617 (2018 – 2019: \$2,011,085).

DONATION OF LAND STATEMENT

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

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*

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

FUNDING ASSISTANCE FOR SPORTING REPRESENTATION

Individual State Representation x 6	\$900.00
Sub Total Funding Assistance	\$900.00

YOUTH GRANTS

Copping Christian Fellowship	\$636.00
First Pittwater Scout Group	\$1,200.00
Primrose Sands Community Centre	\$1,000.00
Sorell School Association	\$500.00
South East Basketball Association	\$300.00
Sub Total Youth Grants	\$3,636.00

COMMUNITY ASSISTANCE GRANTS

Bream Creek Show Society	\$1,325.00
Bream Creek Farmers Market	\$750.00
Dodges Ferry Primary School Association	\$1,080.00
Dodges Ferry Junior Soccer Club	\$1,127.50
Dunalley Marion Bay Sailing Club	\$1,500.00
Forcett Community Hall	\$1,121.55
Jazz by the Sea	\$700.00
Okines Community House	\$500.00
Orielton Hall Committee	\$1,489.00
Pittwater Neighborhood House	\$400.00
SSAA Blue Hills Sporting Shooters Club	\$1,500.00
Sea Rescue	\$1,500.00
Sorell Cricket Club	\$500.00
Sorell Football Club Inc.	\$600.00
Sorell RSL Sub Branch	\$720.00
South East Districts Little Athletics	\$600.00
South East Suns Netball Association	\$670.00
South East United Football Club	\$600.00
Southern Beaches Landcare/Coastcare	\$750.00
Southern Tasmania Country Music Muster	\$1,500.00
Sub Total Community Assistance Grants	\$18,933.05

DONATIONS

Art Acquisition Prize	\$1,660.00
Bream Creek Show Society	\$3,470.00
Combined Churches Carols by Candlelight	\$1,000.00
Forcett Community Hall	\$1,659.90
John Murden	\$250.00

Lions Club of Sorell	\$100.00
Lions Club of Tas – Bushfire Appeal	\$5,060.00
Park Run Australia	\$3,000.00
Primrose Sands Hall Committee	\$5,000.00
Nugent Community Hall	\$1,336.10
Sea Rescue	\$2,000.00
Tassie Rockers Hobart	\$250.00
Sub Total Donations	\$24,786.00

SCHOOL BURSARIES

Dunalley Primary School	\$200.00
Dodges Ferry Primary School	\$200.00
Sorell Primary School	\$200.00
Sorell High School	\$300.00
Sub Total School Bursaries	\$900.00

TOTAL DONATIONS AND GRANTS

\$49,155.05



Community and Youth Grants recipients

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.

PUBLIC HEALTH STATEMENT

The Environmental Health section consists of the full-time Manager Regulatory Services (who is a qualified Environmental Health Officer), a 3-days 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/nuisances, litter complaints and assists the Animal Management Officers with animal control.

Public Health

The section regulates major public events including the Falls Festival and Bream Creek Show. Environmental Health Officers attended each event and checked compliance with permit conditions. Generally, standards were satisfactory.

The Environmental Health Team were involved with Councils response to the Coronavirus pandemic (Covid-19) providing assistance to ensure that food businesses had appropriate COVID Safe Plans and that the necessary changes to food preparation and distribution were undertaken safely.

The Team also assisted the Emergency Management Coordinator prepare COVID Safe Plans for Council facilities and providing assistance answering enquires from members of the public.

Recreational water quality monitoring was completed at swimming beaches during the summer. All sites monitored have 'good' water quality with the exception of Red Ochre Beach (South), which is 'moderate'. Warning signs are erected at these sites advising residents not to swim after heavy rainfall.

Several food complaints received included alleged food poisoning from a local business and selling food containing foreign matter such as insects. Food business inspections undertaken identified several food safety breaches and enforcement action was taken. A significantly lower number of inspections were completed, due in part to COVID-19 restrictions and other work priorities.

Public health risk activities and high-risk private water suppliers received inspections and were

registered as required by the *Public Health Act 1997*.

The School Immunisation Program was successfully completed at Sorell School. The first dose in 2020 was administered before COVID restrictions required schools to close.

Environmental Management

High rainfall in autumn and winter resulted in an increased number of complaints about failing septic tank systems. Some of these were directly related to surface and sub-surface water inundation from ineffective or non-existent stormwater drainage. Notices were issued on property owners requiring these systems to be repaired or replaced.

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

Enforcement action has been taken for several environmental issues resulting in notices being issued.

Environment Protection Notices were issued to regulate continuing trials of fish waste being applied on several local properties to determine if it is an effective fertiliser. Some of the products were found to be very odorous and these trials were required to cease. The remaining products are showing good initial signs of being an effective soil conditioner.

Compliance

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

390 fire abatement notices were issued in 2019 - 2020, slightly more than the previous year. The majority of landowners complied with the notice. However, when this did not occur, Council cleared the land and on-charged the owner.

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, identified a number of unlicensed caravans or existing caravans that had not paid renewal

notices.

Animal Management Officers completed a number of property inspections and have identified unregistered dogs. However, the number of inspections was less than previous years due to COVID-19 Safety restrictions preventing routine property inspections.

Building and Plumbing

Building and plumbing staff have been very busy dealing with hundreds of historic building and plumbing permits that are due to expire. This has resulted in a significant increase in enquires and inspections. The number of applications received combined with complaint investigation and enforcing the Act were very resource demanding for Council staff.

Fines have been issued for a range of offences including undertaking work without a building and/or plumbing permit, and failure to comply with plumbing and building orders.

Plumbing and building notices/orders issued typically related to defective stormwater, non-compliant plumbing work, failing on-site wastewater management systems, non-compliant building work, occupying buildings without an occupancy permit and converting outbuildings into habitable buildings without a permit.



Orielton Lagoon Loop shared pathway

SORELL AUDIT PANEL REPORT

SORELL COUNCIL

AUDIT PANEL REPORT 2019/20

The Sorell Council Audit Panel is pleased to be able to present its Report for the year 2019/20

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

Sorell Council Audit Panel has been established since 2014. The current panel of three independent members (including the Chair) and two Councillors was appointed in March 2016. With the uncertainty around possible amalgamation of Sorell and Tasman Councils, the independent members mutually agreed to extend their contracts to March 2020.

The independent Audit Panel members' contracts were subsequently renewed by Council in March 2020 for expiry in March 2021, 2023 and 2024. This allows a staggering of renewal to the Audit Panel in alignment with good governance principles.

The two Councillors appointed to the Audit Panel are Cr Deborah De Williams and Cr Melinda Reed, both appointed in October 2018 after council elections.

The Panel met on 5 occasions during the year. The members and attendance are shown below:

- Mrs Helen Galloway (Chair) 5/5 attended
- Mr David Sales 5/5 attended
- Mrs C. Pillans 4/5 attended
- Cr Deborah De Williams 1/5 attended
- Cr Melinda Reed 5/5 attended

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.

In accordance with the Charter, the Panel's Work Plan in 2019/20 included the following.

External Audit

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

Annual Audited Financial Statements

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

Risk Management

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

Internal Control

- Ensuring that the internal control measures in place are appropriate for the size of the council;
- Reviewing the operation of internal control measures;
- Checking compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;
- Monitoring ethical standards and related party transactions by determining whether the systems of control are adequate;
- Monitoring the progress of any major lawsuits facing the council.

The Audit Panel met on five occasions during the year and had no specific irregularities that they drew to the attention of Council. A number of systemic improvements were discussed with the General Manager in the course of the meetings and these will be monitored to ensure proper implementation of recommendations.

A copy of the minutes of each Panel Meeting was submitted to Council for its information. There were no specific matters referred by Council to the Panel for consideration.

The Panel recognises that the Council is not large 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 special interest to the Panel, particularly risk management, may be hampered by lack of resources. The Panel notes that Council is endeavouring to provide additional resources in this area.

In the year 19/20 significant events outside of Council's control were health pandemic COVID19 and legislative change. The Panel has and will continue 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. There were no matters of concern raised by either party, however the finance team's limited resourcing which was a timing issue with staff turnover was discussed. This has now been rectified.

The *Order* also requires the Panel to review its Charter and conduct a self-assessment of its performance every two years. Both these activities are scheduled for the next financial year.

The Panel thanks management and staff, for their support to the Panel with any information and documentation required to fulfil its duties.



LED Street Light Replacement Program

ANNUAL PLAN REPORTING

Key objectives and summary of strategies and initiatives for the 2019 - 2020 financial year.

Measure: C – Completed IP – In Progress O – Ongoing D – Deferred

1.0	Facilitate Regional Growth	Strategic Plan Reference	Measure
1.1	Support delivery of the Transport Plan through a commitment to engage and critically review the projects with the Department of State Growth to positively influence outcomes and their timing.	1.1	O – Development Application for Midway Point upgrade approved.
1.2	Engage with Tasmanian Irrigation to leverage increased supply to the South-East Scheme.	1.2	IP – Council has submitted an EOI for additional water.
1.3	Advocate through the Tasmanian Planning Commission - Statewide Planning Scheme assessment process for the protection of high value agricultural land and provision of enabling development control.	1.2	IP – Submitted as part of Council's Local Provisions Schedule.
1.4	Pursue TasWater to finalise growth and capacity plans for development forecasts and the Environment Protection Authority direction to cease discharge into Pittwater by 2022/2023 and, to transfer the Dodges Ferry sewage lagoons.	1.3	O – Development of plans / transfer has been delayed by TasWater.
1.5	Include Special Area Plans in the Local Provisions Schedule of the Statewide Planning Scheme for Southern Beaches Onsite Wastewater Management and Stormwater Management.	1.3	IP – Submitted as part of Council's Local Provisions Schedule.
1.6	Establish appropriate benchmark data through engagement with Tasmanian Chamber of Commerce and Industry, Regional Development Australia & SERDA Workforce Engagement and Development Officer.	1.4	IP – .idcommunity resources/reporting being utilised.
1.7	Undertake with SERDA partner Councils a review of the 2015 South East Economic Infrastructure Strategy.	1.4	C

1.8	<p>Support and promote programs and strategies through SERDA Regional Workforce Engagement & Development Officer:</p> <ul style="list-style-type: none"> • Establish working partnerships with SERDA partner Councils and SERDA Workforce Engagement and Development Officer. • Focus on key growth industries including horticulture, child care, hospitality/tourism, civil/building construction, aquaculture and agriculture training. 	1.5	C O
1.9	Collaborate with the Sorell School on their redevelopment masterplan.	1.6	IP
1.10	Facilitate Catholic Education Tasmania's requirements for 10ha green field Kindergarten – Year 12 facility, through review of the land supply strategy.	1.6	IP
1.11	Promote UTas tertiary education programs being delivered within the Municipality.	1.6	C
1.12	Determine Council's advocacy role and support the Department of Justice resources necessary to commence and deliver the Southern Tasmania Regional Land Use Strategy review.	1.7	O
1.14	Seek advice from Destination Southern Tasmania to determine the impacts and appropriateness of developing and promoting the Fulham Road – Dunalley – Marion Bay, touring loop.	1.9	IP – Budget approval in 2020-2021 to seal remainder of Fulham Road.
1.15	Advocate for the market testing of the Dunalley Marina concept through a public EOI process, jointly funded by Council and the State Government.	1.9	C
1.16	Collaborate with Glamorgan Spring Bay Council to establish Mountain Bike development standards and guidelines for SERDA's South East Tasmanian Mountain Bike Proposal.	1.10	IP

2.0	Responsible Stewardship and a Sustainable Organisation	Strategic Plan Reference	Measure
2.1	Seek commitment from elected members to review and adopt the 20 Year Long Term Financial Plan, with delivery of a net operating surplus over the forecast period.	2.1 2.6	C
2.2	Guide evidence based land zoning decisions and private sector investment to strategically identified locations.	2.2	O
2.3	Commit to asset revaluation cycle, provision of sustainable new/upgrade capital allocations and managing risk profiles, including facilities management legislation.	2.3	O – Transport asset class independent revaluation completed.
2.4	Recognise and manage both the positive and negative impacts of growth and development including, movement of people, provision of quality open space/links, employment opportunities and regional wealth distribution.	2.4	O
2.5	Measure the operational and financial impacts of new / upgrade capital projects, including LED streetlight project, against stated/assumed savings.	2.5	C/O – Awaiting post LED project financial evaluation.
2.6	Educate elected members on contemporary governance roles and responsibilities.	2.7	IP
2.7	Facilitate a workshop with elected members and key staff to establish commitments, resourcing and continuity related to: - <ul style="list-style-type: none"> • Participation in State and regional waste management initiatives. • Continuing to develop strategies to improve stormwater quality discharge to receiving waters. • Developing resilience strategies for infrastructure vulnerable to climate change. • Identifying opportunities to reduce emissions from Council activities that contribute to climate change. 	2.8 4.1	IP – Regulatory Services Manager appointed to regional waste committee.
2.8	Adopt ICT Strategy and establish staged actions.	2.11	IP

3.0	To Ensure a Liveable and Inclusive Community	Strategic Plan Reference	Measure
3.1	Develop a plan to promote the values of the Orielton Lagoon Nature Reserve.	3.1	D – A new lagoon committee under Parks and Wildlife Service has been established.
3.2	Commence planning for the 2021 Sorell Township 200 year celebrations.	3.1 3.7	C
3.3	Partner with TasCOSS and service providers to seek commitment for the delivery of a State Government social infrastructure and inclusiveness strategy.	3.2	D
3.4	Advocate for and support the delivery of:- <ul style="list-style-type: none"> the South East Emergency Services Hub; Sorell and Dodges Ferry School upgrades; Child care and social services; that will assist in meeting the 2019 to 2042 population projections for the Sorell Municipal Area of 1.15% per annum (more than five times the State forecast of 0.2% per annum).	3.3	O – To be commenced early 2021. DA approved for 196 place child care centre in Sorell.
3.5	Develop an Open Space and Trail Strategy.	3.4	IP - Draft approved for community consultation.
3.6	Lobbying for a park and ride facility in Midway Point and the Southern Beaches and seek funding for a Sorell facility upgrade.	3.5	O – Sorell facility upgrade completed.
3.7	Secure State and Federal commitments for Pembroke Park Stadium.	3.6	C
3.8	Seek grant funding for the extension of the Sorell Memorial Hall.	3.7 3.8	D/IP/O - Grant Application submitted to Tasmania Community Fund for Supper Room Upgrade (October 2020).

3.9	Host an arts and culture networking event to determine how Council can support the sector.	3.8	D - Completed October 2020.
3.10	Develop strategies that protect, as well as promote, public access to coastal assets and incorporate for inclusion in the Open Space and Trail Strategy.	3.9	IP – Open Space Strategy approved for community consultation

4.0	Increased Community Confidence in Council	Strategic Plan Reference	Measure
4.1	Provide opportunities for elected members to engage with different communities through the Community Conversation program.	4.1	C - 2019 meetings were held. 2020 Meetings on hold due to COVID-19.
4.2	Ensure consideration is given to Council's Policies, Strategies, Plans and Procedures when making decisions.	4.2	O
4.4	Implement Employee Recognition Program.	4.3	IP - Draft program in progress.
4.5	Review the Customer Service Strategy and its implementation across the organisation.	4.5	C
4.6	Develop an integrated Communication and Engagement Strategy.	4.6	C
4.7	Consult with the Sorell Business Council and other stakeholders to consider the potential impacts of the Eastern by-pass on the township.	4.7	O
4.8	Work with community groups and committees to support and review the management of community facilities.	4.7	C/O
4.9	Review facility utilisation and capacity to determine opportunities for community groups to establish activities and avoid construction and duplication of assets.	4.7	O - Utilisation monitored and reported to Council on a monthly basis.



Sorell Park and Ride upgrade

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Statement of Comprehensive Income For the Year Ended 30 June 2020

	Note	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
Income from continuing operations				
Recurrent income				
Rates and charges	2.1	14,303	14,363	13,708
Statutory fees and fines	2.2	542	603	511
User fees	2.3	588	578	656
Grants	2.4	1,227	2,474	2,214
Contributions - cash	2.5	30	101	92
Interest	2.6	231	234	318
Other income	2.7	565	618	904
Investment revenue from water corporation	2.9, 5.2	324	162	302
		17,810	19,133	18,705
Capital income				
Capital grants received specifically for new or upgraded assets	2.4	1,250	1,277	2,269
Contributions - non-monetary assets	2.5	-	5,298	1,804
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.8	-	(2,336)	(942)
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	5.1	-	1,001	731
Fair value adjustments for investment property	6.3	-	9	59
		1,250	5,249	3,847
Total income from continuing operations		19,060	24,382	22,552
Expenses from continuing operations				
Employee benefits	3.1	(6,150)	(6,070)	(5,796)
Materials and services	3.2	(4,999)	(4,506)	(4,786)
Impairment of receivables	3.3	-	(1)	(25)
Depreciation and amortisation	3.4	(5,236)	(5,205)	(5,116)
Finance costs	3.5	(120)	(120)	(133)
Other expenses	3.6	(1,427)	(1,379)	(1,422)
Total expenses from continuing operations		(17,932)	(17,281)	(17,278)
Result from continuing operations		1,128	7,101	5,274
Net result for the year		1,128	7,101	5,274
Other comprehensive income				
Items that will not be reclassified subsequently to net result				
Fair value adjustments on equity investment assets	5.2, 9.1	-	(6,553)	3,585
Net asset revaluation increment/(decrement)	9.1	-	16,187	-
Total other comprehensive income		-	9,634	3,585
Total comprehensive result		1,128	16,735	8,859

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

Statement of Financial Position
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	4,469	8,571
Trade and other receivables	4.2	840	614
Investments	4.3	6,891	1,405
Inventories	4.4	49	67
Non-current assets classified as held for sale	4.5	100	-
Other assets	6.6	204	181
Total current assets		12,553	10,838
Non-current assets			
Trade and other receivables	4.2	41	42
Investments in associates accounted for using the equity method	5.1	3,127	2,126
Investment in water corporation	5.2	22,080	28,633
Property, infrastructure, plant and equipment	6.1	264,479	243,803
Investment property	6.3	365	356
Intangible assets	6.4	542	318
Right-of-use assets	6.5	1	-
Total non-current assets		290,635	275,278
Total assets		303,188	286,116
Liabilities			
Current liabilities			
Trade and other payables	7.1	645	715
Trust funds and deposits	7.2	777	829
Provisions	7.3	1,259	1,092
Lease liabilities	7.4	2	-
Contract liabilities	7.5	838	-
Interest-bearing loans and borrowings	8.1	273	200
Total current liabilities		3,794	2,836
Non-current liabilities			
Provisions	7.3	328	287
Interest-bearing loans and borrowings	8.1	1,907	1,880
Other	7.1	28	29
Total non-current liabilities		2,263	2,196
Total liabilities		6,057	5,032
Net assets		297,131	281,084
Equity			
Accumulated surplus		101,333	94,920
Reserves	9.1	195,798	186,164
Total equity		297,131	281,084

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

Statement of Cash Flows
For the Year Ended 30 June 2020

		2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
	Note		
Cash flows from operating activities			
Rates		14,424	13,727
Statutory fees and fines		603	507
User charges and other fines (inclusive of GST)		590	678
Grants (inclusive of GST)		2,526	2,220
Developer contributions (inclusive of GST)		97	97
Interest received		249	314
Investment revenue from water corporation	2.9	162	324
Other receipts (inclusive of GST)		539	1,189
Net GST refund/(payment)		1,137	945
Payments to suppliers (inclusive of GST)		(5,824)	(7,458)
Payments to employees (including redundancies)		(7,165)	(5,658)
Finance costs paid		(121)	(134)
Net cash provided by (used in) operating activities	9.2	7,217	6,751
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(7,260)	(7,315)
Proceeds from sale of property, infrastructure, plant and equipment		132	628
Capital grants (inclusive of GST)		1,255	2,063
Payments for investments		(5,486)	(1,405)
Net cash provided by (used in) investing activities		(11,359)	(6,029)
Cash flows from financing activities			
Proceeds from trust funds and deposits		778	635
Repayment of trust funds and deposits		(831)	(465)
Repayment of lease liabilities (principal repayments)		(7)	-
Proceeds from interest bearing loans and borrowings		300	-
Repayment of interest bearing loans and borrowings		(200)	(187)
Net cash provided by (used in) financing activities	9.3	40	(17)
Net increase (decrease) in cash and cash equivalents		(4,102)	705
Cash and cash equivalents at the beginning of the financial year		8,571	7,866
Cash and cash equivalents at the end of the financial year	9.4	4,469	8,571
Restrictions on cash assets	4.1	2,870	2,896

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

Statement of Changes Equity For the Year Ended 30 June 2020

	Note	Accumulated Surplus 2020 \$'000	Revaluation Reserve 2020 \$'000	Fair Value Reserve 2020 \$'000	Other Reserves 2020 \$'000	Total Equity 2020 \$'000
2020						
Balance at beginning of the financial year		94,920	185,788	(674)	1,050	281,084
Effect of changes in accounting policy for:						
Adjustment due to AASB 15 adoption	10.3(g)(i)	(688)	-	-	-	(688)
Restated opening balance		94,232	185,788	(674)	1,050	280,396
Net result for the year		7,101	-	-	-	7,101
Other comprehensive income:						
Fair value adjustment on equity investment assets	5.2,9.1	-	-	(6,553)	-	(6,553)
Net asset revaluation increment/(decrement)	9.1	-	16,187	-	-	16,187
Total comprehensive income		101,333	201,975	(7,227)	1,050	297,131
Transfers between reserves		-	-	-	-	-
Balance at end of the financial year		101,333	201,975	(7,227)	1,050	297,131

		Accumulated Surplus 2019 \$'000	Asset Revaluation Reserve 2019 \$'000	Fair Value Reserve 2019 \$'000	Other Reserves 2019 \$'000	Total Equity 2019 \$'000
2019						
Balance at beginning of the financial year		89,908	185,788	(4,259)	1,050	272,487
Adjustment for prior period error	6.2	(262)	-	-	-	(262)
Restated opening balance		89,646	185,788	(4,259)	1,050	272,225
Net result for the year		5,274	-	-	-	5,274
Other comprehensive income:						
Fair value adjustment on equity investment assets	5.2,9.1	-	-	3,585	-	3,585
Total comprehensive income		94,920	185,788	(674)	1,050	281,084
Transfers between reserves		-	-	-	-	-
Balance at end of the financial year		94,920	185,788	(674)	1,050	281,084

The above statement should be read with the accompanying notes.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 1 Overview

1.1 Reporting entity

- (a) The 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 Comprehensive Income, 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, 4.3, 4.5, 5.2, 6.1, 6.3, 7.3, 8.1 and 10.3(d).

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full.

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, 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 5.2.

Notes to the Financial Report For the Year Ended 30 June 2020

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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government and administration						
2019 - 2020	1,301	13,846	15,147	4,796	10,351	83,694
2018 - 2019	1,247	12,348	13,595	4,625	8,970	70,255
Roads, streets and bridges						
2019 - 2020	2,145	526	2,671	5,800	(3,129)	181,516
2018 - 2019	2,541	2,009	4,550	5,874	(1,324)	160,096
Drainage/stormwater						
2019 - 2020	17	2,670	2,687	1,169	1,518	41,758
2018 - 2019	-	(67)	(67)	1,047	(1,114)	39,395
Waste management						
2019 - 2020	-	2,471	2,471	1,524	947	1,148
2018 - 2019	-	2,261	2,261	1,475	786	1,200
Environmental health						
2019 - 2020	1	63	64	401	(337)	-
2018 - 2019	3	133	136	484	(348)	-
Planning services						
2019 - 2020	-	506	506	412	94	-
2018 - 2019	5	419	424	511	(87)	-
Building control						
2019 - 2020	-	408	408	309	99	-
2018 - 2019	-	450	450	337	113	-
Community amenities						
2019 - 2020	287	42	329	2,674	(2,345)	15,072
2018 - 2019	687	416	1,103	2,730	(1,627)	15,170
Community services						
2019 - 2020	-	99	99	196	(97)	-
2018 - 2019	-	100	100	195	(95)	-
Total						
2019 - 2020	3,751	20,631	24,382	17,281	7,101	303,188
2018 - 2019	4,483	18,069	22,552	17,278	5,274	288,116

Notes to the Financial Report For the Year Ended 30 June 2020

1.4 Functions/Activities of the Council (Continued)

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

	2020	2019
	\$'000	\$'000
Current assets	12,553	10,838
Non-current assets	290,635	275,278
	303,188	286,116

(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; work health and safety and governance processes.

Roads, streets and bridges

The roads, streets and bridges activities of Council include infrastructure services and asset management functions, including construction, operation and 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 construction, 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/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.

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 construction 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 and asset management functions, including construction, maintenance and cleaning of sports fields, sporting clubrooms, community halls, parks and reserves, playgrounds and public toilets, tracks and trails.

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 a pound. This function also includes the operation, support and advocacy of youth services and community events and meetings, such as art and cultural events, ceremonies and advisory groups. 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 2020

	2020	2019
	\$'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 2019-20 was \$3.255 million (2018-19 \$2.733 million). The 2019-20 general rate is a two tiered rating system with 37% (2018-19, 37%) of the general rate generated by a fixed rate of \$473.97 (2018-19 \$462.41), and the remaining by a rate of \$0.002 (2018-19 \$0.002) of the ACV, varied based on land use and / or locality.

Residential	9,569	9,129
Commercial	1,071	1,047
Industrial	141	137
Primary production	532	503
Community service	165	160
Vacant land	690	691
Boat sheds	98	95
Supplementary rates and rate adjustments	139	123
Fire levy	546	486
Garbage charge	2,313	2,197
Less: Other remissions	(881)	(841)
Less: Boat shed remissions	(20)	(19)
Total rates and charges	14,363	13,708

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 under AASB 15 and AASB 1058 - applicable from 1 July 2019

Council recognises revenue from rates and annual charges for the amount it is expected to be entitled to at the beginning of the rating period to which they relate, or when the charge has been applied. Rates and charges in advance are recognised as a financial liability until the beginning of the rating period to which they relate.

Refer to note 10.3 for accounting policy related to AASB 15 and AASB 1058.

Accounting policy under AASB 118 and AASB 1004 - applicable for 2019 comparative

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	17	27
Town planning fees	413	315
Land information certificates	167	159
Permits	6	10
Total statutory fees and fines	603	511

Accounting policy under AASB 15 and AASB 1058 - applicable from 1 July 2019

Fees and fines (including parking fees and fines) are recognised when or as the performance obligation is completed, or when the taxable event has been applied and Council has an unconditional right to receive payment.

Refer to note 10.3 for accounting policy related to AASB 15 and AASB 1058.

Accounting policy under AASB 118 and AASB 1004 - applicable for 2019 comparative

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 2020

	2020 \$'000	2019 \$'000
Note 2.3 User fees		
Animal registrations	89	89
Building services	113	110
Caravan licences	18	16
Engineering services	49	60
Fire abatement	16	16
Health services	2	47
Recreational vehicles	10	14
Kennel licences	1	2
Plumbing application and inspection	273	297
Other fees and charges	7	5
Total user fees	578	656

Accounting policy under AASB 15 and AASB 1058 - applicable from 1 July 2019

Council recognises revenue from user fees and charges when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where an upfront fee is charged, such as membership fees for the leisure centre, the fee is recognised on a straight-line basis over the expected life of the membership.

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

Refer to note 10.3 for accounting policy related to AASB 15.

Accounting policy under AASB 118 and AASB 1004 - applicable for 2019 comparative

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	2,848	2,430
State funded grants	902	2,041
Others	1	12
Total	3,751	4,483

Grants - Recurrent

Commonwealth Government Financial Assistance Grants - General Purpose	1,288	1,217
Commonwealth Government Financial Assistance Grants - Roads	964	948
Commonwealth Government Financial Assistance Grants - Bridges	193	-
State Government - Health	1	3
State Government - Transport	14	14
State Government - MAST	13	20
Other	1	12
Total recurrent grants	2,474	2,214

Accounting policy under AASB 15 and AASB 1058 - applicable from 1 July 2019

Council recognises untied grant revenue and those without performance obligations when received. In cases where funding includes specific performance obligations or is to acquire or construct a recognisable non-financial asset, a liability is recognised for funds received in advance and recognises income as obligations are fulfilled.

The performance obligations are varied based on the agreement, but include that the Grant must only be undertaken for the Approved Purpose and that the approved purpose must commence and be completed by an agreed date. Further any unexpended part of a Grant must be repaid, additionally any incorrect use of the Grant must be repaid and breach of other circumstances per above can result in repayment of the Grant.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Notes to the Financial Report For the Year Ended 30 June 2020

2020	2019
\$'000	\$'000

Note 2.4 Grants (continued)

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin. For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Refer to note 10.3 for accounting policy related to AASB 15 and AASB 1058.

Accounting policy under AASB 1004 - applicable for 2019 comparative

The Australian Commonwealth Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. Previously, in accordance with AASB1004: *Contributions*, Council recognised these grants as revenue when it received the funds and obtained control.

Grant income - recurrent 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.

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

Capital grants received specifically for new or upgraded assets

Commonwealth Government - Roads to Recovery	386	242
Commonwealth Government - Sport	-	20
Commonwealth Government - Environment	17	-
Commonwealth Government - Transport	-	28
State Government - Culture, sport and recreation	286	713
State Government - Bridges	-	1,106
State Government - Transport	588	160
Other	-	-
Total capital grants	1,277	2,269

Conditions on grants

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	688
Less: expended during the current period from revenues recognised in previous reporting periods	
Culture, sport and recreation	(255)
Transport	(25)
	(280)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions	
Culture, sport and recreation	20
Transport	6
Marine Structures	45
Land Improvements	27
	98
Unexpended at the close of this reporting period	506
Net increase (decrease) in non-reciprocal grant revenues for the year:	(182)

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Note 2.5 Contributions		
(a) Cash		
Parks, open space and streetscapes	76	92
Traffic management	16	-
Other	9	-
Total	101	92
(b) Non-monetary assets		
Land under roads	165	7
Roads	1,335	1,042
Kerb and channel	299	66
Footpaths and cycle ways	372	161
Formation earthworks	237	10
Other transport infrastructure	180	-
Land improvements	9	-
Stormwater	2,701	518
Total	5,298	1,804
Total contributions	5,399	1,896

Accounting policy under AASB 15 - applicable from 1 July 2019

Council recognises contributions without performance obligations when received. In cases where the contributions is for a specific purpose to acquire or construct a recognisable non-financial asset, a liability is recognised for funds received in advance and income recognised as obligations are fulfilled.

Refer to note 10.3 for accounting policy related to AASB 15 and AASB 1058.

Accounting policy under AASB 1004 - applicable for 2019 comparative

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.

Where contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused contribution is also disclosed. The note also discloses the amount of unused contribution from prior years that was expended on Council's operations during the current year.

Note 2.6 Interest

Interest on financial assets	-	-
Interest on rates	92	107
Interest on cash and cash equivalents	142	211
Total	234	318

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Note 2.7 Other income		
Community facility hire income	90	139
Copping Refuse Disposal Site land rental	157	64
Copping Refuse Disposal Site Joint Authority profit share	32	32
Leased properties rental income	29	30
Donations received	1	3
Diesel fuel rebate	42	19
Insurance recoveries	1	45
Workers compensation reimbursements	42	34
External labour hire recoveries	199	421
Other	25	117
Total other income	618	904

Accounting policy

Rental income

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

Donations received

Donations are recognised as revenue when the payment is received.

Operating leases as lessor

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

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

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

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

Proceeds of sale	132	628
Write down value of assets disposed	(2,468)	(1,570)
Total	(2,336)	(942)

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)
Total	-	(74)

Accounting policy

Gains and losses on asset disposals

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

Gains and losses on asset de-recognition / recognition

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	136	170
Tax equivalent received	26	110
Guarantee fee received	-	22
Total investment revenue from water corporation	162	302

Accounting policy

Investment revenue

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 2020

	2020	2019
	\$'000	\$'000
Note 3 Expenses		
Note 3.1 Employee benefits		
Wages and salaries	4,489	4,270
Workers compensation	260	257
Annual leave and long service leave	615	543
Superannuation	668	621
Fringe benefits tax	46	29
Payroll tax	252	242
Employee associated costs	89	87
	<u>6,419</u>	<u>6,049</u>
Less amounts capitalised	(349)	(253)
Total employee benefits	<u>6,070</u>	<u>5,796</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.

Note 3.2 Materials and services		
Advertising	95	80
Computers and associated costs	208	191
Consultants and contractors	444	403
Contracts	-	47
Cleaning	160	153
Legal	68	85
Maintenance	1,477	1,687
Operating capital	48	117
Plant registration fees	34	34
Printing	25	31
Security services	22	24
Stationery and office consumables	29	34
Utilities	394	451
Valuation costs	57	45
Waste	1,437	1,396
Other	8	8
Total materials and services	<u>4,506</u>	<u>4,786</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.

Note 3.3 Impairment of receivables		
Other debtors	1	25
Total impairment of receivables	<u>1</u>	<u>25</u>

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. Council's policy and events giving rise to impairment losses are disclosed in note 3.6.

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Note 3.4 Depreciation and amortisation		
<i>Property</i>		
Buildings and other structures	604	594
Leasehold improvements	-	6
<i>Plant and Equipment</i>		
Plant, machinery and equipment	448	464
Fixtures, fittings and furniture	137	143
Computers and telecommunications	71	87
<i>Infrastructure</i>		
Roads	2,450	2,427
Bridges	183	183
Footpaths and cycle ways	154	142
Kerb and channel	67	61
Other transport infrastructure	109	107
Stormwater	589	519
Waste	52	52
Land improvements	303	303
<i>Intangible assets</i>		
Intangible assets	31	28
<i>Right-of-use of assets</i>		
Right-of-use of assets	7	-
Total	5,205	5,116

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. Right-of-use assets are amortised over the lease term. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation and amortisation rates and methods are reviewed annually.

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

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

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

Major depreciation and amortisation periods used are listed below and are consistent with the prior year unless stated:	Period
Buildings and other structures	
buildings and building improvements	20 - 100 years
marine structures	15 - 200 years
other structures (including sheds, tanks, stairs and shelters)	25 - 100 years
Leasehold improvements	
leasehold building improvements	15 - 30 years
Plant and equipment	
plant, machinery and equipment	3 - 15 years
fixtures, fittings and furniture	3 - 30 years
computers and telecommunications	3 - 10 years
Roads	
road sealed surface	20 - 80 years
road unsealed surface	10 years
road base	60 years
road subbase	240 years
road formation and earthworks	non-depreciable
Bridges	

Notes to the Financial Report For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
bridges super structure		20 - 80 years
bridges sub structure		20 - 80 years
Footpaths and cycle ways		20 - 100 years
Kerb and channel		40 - 80 years
Other transport infrastructure		
bus shelters		40 - 100 years
bus stops		10 - 240 years
car parks		10 - 240 years
traffic management devices		6 - 60 years
Stormwater		20 - 100 years
gross pollution traps (GPTs)		50 years
open drains and raingardens		20 - 80 years
end structures		80 years
drains		100 years
pits		80 years
culverts		100 years
Waste management		10 - 50 years
Land improvements		
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		20 - 60 years
park infrastructure		25 - 100 years
park passive areas		20 - 400 years
play equipment		20 years
playgrounds		15 - 80 years
retaining walls		80 years
signs		20 - 60 years
Intangible assets		
intangible assets		3 - 5 years
Right-of-use of assets		
Right-of-use of assets		5 years
During the 2019-20 financial year, Council completed a transport infrastructure revaluation. As part of this revaluation a number of transport asset components had their useful lives review and changed:		
Type and Component	Previous Useful Life	New Useful Life
Sealed roads - asphalt surface	20 years	25 years
Sealed roads - concrete surface	100 years	80 years
Sealed roads - concrete pavement base	60 years	80 years
Footpaths - sand (not valued)	20 years	0 years
Footpaths - timber path, ramp and steps	60 years	50 years
These components also had unit rate changes as part of the revaluation. Overall the useful life and unit rate changes to the above components resulted in a decrease to gross replacement cost of \$18k, an increase to accumulated depreciation of \$45k and a decrease in estimated annual depreciation of \$77k.		

Note 3.5 Finance costs

Interest - borrowings	120	133
Interest - lease liabilities	-	-
Total	120	133
Less capitalised borrowing costs on qualifying assets	-	-
Total finance costs	120	133

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
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.		
Finance costs include interest on bank overdrafts, borrowings, leases and unwinding of discounts.		

Note 3.6 Other expenses

External auditors' remuneration (Tasmanian Audit Office)	33	28
Internal auditors' remuneration (Audit Panel members)	7	7
Bank fees and charges	38	36
Councillors' allowances and expenses	196	196
Collection costs	25	27
Community development	6	9
Donations section 77	49	50
Election expenses	7	69
Environmental management expenses	2	19
Government fire contributions	515	481
Insurance	241	231
Land tax	53	67
Licences, memberships and subscriptions	70	68
Operating leases	15	25
Postage	44	47
Internet, telephone and other communication charges	32	30
Other	46	32
Total	1,379	1,422

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 an asset, or an increase of a liability has arisen that can be measured reliably.		

Note 4 Current assets

Note 4.1 Cash and cash equivalents

Cash on hand	2	2
Cash at bank	154	468
Term deposits and At Call	4,313	8,101
Total cash and cash equivalents	4,469	8,571

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:

i) Trust funds and deposits (note 7.2)	777	829
ii) Conditions on grants (note 2.4)	-	688
iii) Grants received in advance (note 7.5)	506	-
iv) Leave Provisions (note 7.3)	1,587	1,379
Restricted funds	2,870	2,896
Total unrestricted cash and cash equivalents	1,599	5,675

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000

Note 4.1 Cash and cash equivalents (continued)

Accounting policy
Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.
Investments with a maturity of more than 3 months have been adjusted during the year in the statement of cash flows. In prior years cash and cash equivalents were inclusive of term deposits in excess of 3 months. In 2019-20 term deposits with greater than 3 months maturities are disclosed at note 4.3.
The restrictions on the funds above are detailed in the respective notes.

Note 4.2 Trade and other receivables

Current		
Rates debtors	350	77
Other debtors	393	399
Provision for expected credit loss - Other debtors	(2)	(25)
Midway Point Improvement Act debtors	2	1
Net GST receivable	97	162
Total	840	614
Non-current		
Midway Point Improvement Act debtors	36	36
Loans and advances to community organisations	5	6
Total	41	42
Total trade and other receivables	881	656
Reconciliation of movement in expected credit loss		
Carrying amount at 1 July	25	
Amounts written off during the year	(24)	
Amounts recovered during the year	-	
Increase/(decrease) in provision recognised in profit or loss	1	
Carrying amount at 30 June	2	
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

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

Accounting policy
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. Council has established a provision matrix to facilitate the impairment assessment.
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.

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Note 4.3 Investments		
<i>Current</i>		
Term deposits - more than 3 months	6,891	1,405
	<u>6,891</u>	<u>1,405</u>

Accounting policy

Investments

Investment in financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Note 4.4 Inventories		
Inventories held for distribution	49	67
Total inventories	<u>49</u>	<u>67</u>

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 4.5 Non-current assets classified as held for sale		
Internal transfer from land	100	-
Total	<u>100</u>	<u>-</u>

At the October 2019 Ordinary Council Meeting, Council resolved to commence the statutory notification process regarding their intention to dispose of the Pawleena Dam, Pawleena Road, Pawleena, described in Certificate of Title Volumes 35371/1, 230296/1 and 35370/1. At the January 2020 Ordinary Council Meeting, Council resolved to dispose of the public land and authorised the General Manager to actively pursue opportunities for the sale of the land. The sale of the land has been placed with real estate agents and is expected to be sold within the next twelve months. The land is valued at the lower of carrying value and fair value less costs to sell.

At the July 2019 Ordinary Council Meeting, Council resolved to dispose of the public land at 47 Cole Street, Sorell, described in Certificate of Title Volume 164990/1. Council has two parcels of land for disposal at 47 Cole Street, Sorell; one portion relates to a parcel for the Emergency Services Hub and the second portion relates to a separate parcel for a future development. At the September 2019 Ordinary Council Meeting, 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 Services Hub parcel of land and that each party is to bear their own associated costs. In November 2019, the Department of Police, Fire and Emergency Services paid \$1.00 to Council to acknowledge the sale agreement. The sale of the Emergency Services Hub is expected to be finalised within the next twelve months. The land has been revalued to the agreed transfer sum of \$1.00 which has resulted in a \$700,000 revaluation decrement being recognised. The second parcel of land at 47 Cole Street, Sorell, is not expected to be sold within the next twelve months.

Accounting policy

Non-current assets classified as held for sale

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and is not subject to depreciation. Non-current assets, disposal groups and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000

Note 5 Investments

Note 5.1 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)	3,127	2,126
Total	3,127	2,126

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% (2018-19 24%).

Council's share of accumulated surplus(deficit)

Council's share of accumulated surplus(deficit) at start of year	1,482	999
Reported surplus(deficit) for year	796	483
Council's share of accumulated surplus(deficit) at end of year	2,278	1,482

Council's share of reserves

Council's share of reserves at start of year	150	150
Council's share of reserves at end of year	150	150

Movement in carrying value of specific investment

Carrying value of investment at start of year	2,126	1,395
Council's share of surplus(deficit) for year	796	483
Council's share of contributions by owners for year	205	248
Carrying value of investment at end of year	3,127	2,126

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.

Note 5.2 Investment in water corporation

Opening balance	28,633	25,048
Fair value adjustments on equity investment assets	(6,553)	3,585
Total investment in water corporation	22,080	28,633

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

TasWater made a significant reduction to their water and sewerage infrastructure assets as at 30 June 2020. This reduction is reflective of the \$6.5m adjustment. The write down was primarily driven by the application of a higher discount rate within the net present value calculation used to inform asset valuations. TasWater a state-wide water and sewerage corporation commenced trading 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.

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Accounting policy		
Equity Investment		
As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: <i>Financial Instruments</i> 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 2020, Council held a 1.53% (2018-19 1.54%) ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.		

Note 6 Non-current assets

Note 6.1 Property, infrastructure, plant and equipment

	2020	2019
	\$'000	\$'000
Summary		
at fair value as at 30 June	391,266	348,119
Less accumulated depreciation	(126,787)	(104,316)
Total	264,479	243,803
Property		
Land		
at fair value as at 30 June	9,007	10,086
	9,007	10,086
Land under roads		
at fair value as at 30 June	17,954	15,514
	17,954	15,514
Total land	26,961	25,600
Buildings and other structures		
at fair value as at 30 June	24,986	24,656
Less accumulated depreciation	(5,947)	(5,519)
Total buildings	19,039	19,137
Total property	46,000	44,737
Plant and equipment		
Plant, machinery and equipment		
at cost	4,395	4,112
Less accumulated depreciation	(1,921)	(1,864)
	2,474	2,248
Fixtures, fittings and furniture		
at cost	2,176	2,176
Less accumulated depreciation	(1,275)	(1,138)
	901	1,038
Computers and telecommunications		
at cost	2,499	2,467
Less accumulated depreciation	(2,350)	(2,279)
	149	188
Total plant and equipment	3,524	3,474

Notes to the Financial Report For the Year Ended 30 June 2020

Note 6.1 Property, infrastructure, plant and equipment (continued)

Infrastructure

Roads

at fair value as at 30 June	150,918	120,430
Less accumulated depreciation	(80,588)	(62,200)
	70,330	58,230

Bridges

at fair value as at 30 June	18,650	14,490
Less accumulated depreciation	(7,645)	(5,672)
	11,005	8,818

Footpaths and cycle ways

at fair value as at 30 June	10,469	9,375
Less accumulated depreciation	(3,299)	(2,761)
	7,170	6,614

Kerb and channel

at fair value as at 30 June	5,542	5,097
Less accumulated depreciation	(1,998)	(1,884)
	3,544	3,213

Other transport infrastructure

at fair value as at 30 June	5,748	733
Less accumulated depreciation	(953)	(186)
	4,795	547

Stormwater

at fair value as at 30 June	55,726	52,781
Less accumulated depreciation	(13,991)	(13,456)
	41,735	39,325

Waste

at fair value as at 30 June	1,893	1,893
Less accumulated depreciation	(745)	(693)
	1,148	1,200

Land improvements

at fair value as at 30 June	14,028	16,939
Less accumulated depreciation	(6,075)	(6,664)
	7,953	10,275

Formation earthworks

at fair value as at 30 June	66,673	66,817
	66,673	66,817

Total infrastructure

	214,353	195,039
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Works in progress

Land improvements - at cost	191	13
Buildings - at cost	342	119
Plant and equipment- at cost	1	8
Roads, footpaths and cycle ways, kerb and channel and formation earthworks - at cost	28	343
Bridges- at cost	17	-
Stormwater- at cost	23	70
	602	553

Total property, infrastructure, plant and equipment

	264,479	243,803
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Notes to the Financial Report For the Year Ended 30 June 2020

Note 6.1 Property, infrastructure, plant and equipment (continued)

Reconciliation of property, infrastructure, plant and equipment

	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	Transfers	Transfers between classes (a)	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property									
Land	10,086	-	(987)	-	-	-	8	(100)	9,007
Land under roads	15,514	165	2,325	-	(50)	-	-	-	17,954
Total land	25,600	165	1,338	-	(50)	-	8	(100)	26,961
Buildings and other structures	19,137	-	147	(604)	(35)	-	394	-	19,039
Total buildings and other structures	19,137	-	147	(604)	(35)	-	394	-	19,039
Total property	44,737	165	1,485	(604)	(85)	-	402	(100)	46,000
Plant and equipment									
Plant, machinery and equipment	2,248	-	-	(448)	(139)	-	813	-	2,474
Fixtures, fittings and furniture	1,038	-	-	(137)	-	-	-	-	901
Computers and telecommunications	188	-	-	(71)	-	-	32	-	149
Total plant and equipment	3,474	-	-	(656)	(139)	-	845	-	3,524
Infrastructure									
Roads	58,230	1,335	11,585	(2,450)	(678)	-	2,660	(362)	70,330
Bridges	8,818	-	2,370	(183)	-	-	-	-	11,006
Footpaths and cycle ways	6,814	372	(331)	(154)	(77)	-	746	-	7,170
Kerb and channel	3,213	300	39	(67)	(21)	-	80	-	3,544
Other transport infrastructure	547	179	1,029	(109)	(17)	-	496	2,670	4,795
Stormwater	39,325	2,702	-	(588)	(60)	-	357	-	41,735
Waste	1,200	-	-	(52)	-	-	-	-	1,148
Land improvements	10,275	9	-	(303)	(45)	-	560	(2,543)	7,963
Formation earthworks	66,817	237	-	-	(1,346)	-	730	235	66,673
Total infrastructure	195,039	5,134	14,702	(3,907)	(2,244)	-	5,629	-	214,353
Works in progress									
Land	-	8	-	-	-	-	(6)	-	-
Land improvements	13	730	-	-	-	-	(560)	8	191
Buildings	119	617	-	-	-	-	(394)	-	342
Plant and equipment	8	846	-	-	-	-	(845)	(8)	1
Roads, footpaths and cycle ways, kerb and channel and formation earthworks	343	4,397	-	-	-	-	(4,712)	-	28
Bridges	-	17	-	-	-	-	-	-	17
Stormwater	70	310	-	-	-	-	(357)	-	23
Total works in progress	553	6,925	-	-	-	-	(6,876)	-	802
Total property, infrastructure, plant and equipment	243,803	12,224	16,187	(5,167)	(2,468)	-	-	(100)	264,479

(a) Transfer between classes - Property, infrastructure, plant and equipment to Assets held for sale

During the 2019-20 financial year a transfer of \$100k from Land to Non-current assets classified as held for sale occurred. The transfer relates to two parcels of land that are held for sale at 30 June 2020, Pawleena Dam, Pawleena Road, Pawleena, which had a carrying value in Land of \$100k and 47 Cole Street, Sorrell, which had a revalued carrying value in Land of \$1. Refer to note 4.5 Assets held for sale.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 6.1 Property, infrastructure, plant and equipment (continued)

Reconciliation of property, infrastructure, plant and equipment (continued)

	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
Property									
Land	10,342	-	-	-	(287)	-	11	-	10,066
Land under roads	45,393	122	-	-	(1)	-	-	-	45,514
Total land	55,735	122	-	-	(288)	-	11	-	55,559
Buildings and other structures	19,466	56	-	(594)	(116)	-	37	(269)	19,137
Leasehold improvements	145	-	-	(8)	(129)	-	-	-	-
Total buildings and other structures	19,611	56	-	(602)	(245)	-	37	(269)	19,137
Total property	75,346	178	-	(602)	(533)	-	48	(269)	74,737
Plant and Equipment									
Plant, machinery and equipment	2,234	39	-	(494)	(153)	-	(59)	-	2,240
Fixtures, fittings and furniture	1,181	-	-	(143)	-	-	-	-	1,038
Computers and telecommunications	167	-	-	(87)	-	-	100	-	180
Total plant and equipment	3,582	39	-	(624)	(153)	-	41	-	3,474
Infrastructure									
Roads	50,267	957	-	(2,427)	(801)	-	3,657	357	58,230
Bridges	7,800	-	-	(183)	(46)	-	1,236	-	8,818
Footpaths and cycle ways	4,949	177	-	(142)	(50)	-	787	(908)	6,614
Kerb and channel	2,895	66	-	(61)	-	-	211	102	3,213
Other transport infrastructure	566	-	-	(107)	-	-	-	89	547
Stormwater	30,077	517	-	(519)	(120)	-	470	-	30,325
Waste	1,252	-	-	(52)	-	-	-	-	1,200
Land improvements	12,084	147	-	(303)	(200)	-	266	(1,719)	10,275
Formation earthworks	66,728	10	-	-	(204)	-	1,263	-	68,817
Total infrastructure	190,537	1,874	-	(3,794)	(1,220)	-	7,910	(268)	195,039
Works in progress									
Land improvements	-	269	-	-	-	-	(269)	10	13
Buildings	458	130	-	-	-	-	(37)	(432)	119
Plant, machinery and equipment	4	704	-	-	-	-	(700)	-	8
Roads, footpaths and cycle ways, 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
Total works in progress	1,885	7,336	-	-	-	-	(8,656)	-	583
Total property, infrastructure, plant and equipment	241,370	9,417	-	(6,098)	(1,896)	-	-	-	243,803

Notes to the Financial Report For the Year Ended 30 June 2020

Note 6.1 Property, infrastructure, plant and equipment (continued)

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. For all assets, other than plant and equipment, waste infrastructure and land, the capitalisation thresholds consider both a monetary value (\$) threshold and a % of asset threshold. The monetary value (\$) threshold or the percentage (%) of asset threshold must be met in order for an asset to be capitalised. Thresholds are applied at a component level. The Council's Asset Capitalisation Business Rules were reviewed and amended in the 2019-20 financial year. Prior to 2019-20 a \$10k monetary value (\$) threshold applied to all property and infrastructure assets and a \$5k monetary value (\$) threshold applied to all property and equipment assets. Prior to 2019-20 a 50% percentage (%) of asset threshold applied to the majority of infrastructure asset classes.

	Threshold \$'000	Threshold % of asset
Property	No threshold applies	No threshold applies
Land		
Land under roads	10	50%
Buildings and other structures - buildings and building improvements	5	50%
Buildings and other structures - other structures	1	100%
Buildings and other structures - marine structures	1	50%
Plant and Equipment		
Plant, machinery and equipment	5	N/A
Fixtures, fittings and furniture	5	N/A
Computers and telecommunications	5	N/A
Infrastructure		
Roads	10	50%
Bridges	10	100%
Footpaths and cycle ways	10	50%
Kerb and channel	10	50%
Other transport infrastructure - bus shelters, bus stops and carparks	10	50%
Other transport infrastructure - traffic management devices	10	100%
Stormwater	Stormwater thresholds are dependent on the cost of the asset component:	
	If cost is > \$1 but < \$5	50%
	If cost is > \$5	100%
Waste	5	N/A
Land improvements - fences, park active areas, park passive areas and retaining walls	1	50%
Land improvements - formal areas and park infrastructure	1	50% - 100%
Land improvements - irrigation, lighting, open space furniture, playgrounds and signs	1	100%
Land improvements - play equipment	Land improvements - play equipment thresholds are dependent on the cost of the asset:	
	If cost is > \$1 but < \$5	50%
	If cost is > \$5	100%
Formation Earthworks	10	50%

Revaluation

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

Land	fair value
Buildings and other structures	fair value
Plant, machinery and equipment	cost
Fixtures, fittings and furniture	cost
Computers and telecommunications	cost
Roads	fair value
Bridges	fair value
Footpaths and cycle ways	fair value
Kerb and channel	fair value
Other transport infrastructure	fair value
Stormwater	fair value
Waste	fair value
Land improvements	fair value
Formation earthworks	fair value
Investment in water corporation	fair value

Subsequent to the initial recognition of assets, non-current physical assets, other than plant, machinery and equipment, furniture, fixtures and fittings and computers and telecommunications, 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. A re-valuation was undertaken at 30 June 2020 and was based on land sales as provided by the Valuer-General. Land under roads acquired after 30 June 2020 will be brought to account at cost and subsequently revalued on a fair value basis.

Notes to the Financial Report For the Year Ended 30 June 2020

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

During the 2019-20 financial year, Council completed a transport infrastructure revaluation. This included a review and revaluation of: land under roads; roads; bridges; footpaths and cycle ways; kerb and channel; and other transport infrastructure, including bus stops, bus shelters, car parks and other traffic management devices. During the transport asset revaluation Council reviewed the asset classes and identified: transport assets that had not been previously recorded; assets that were not owned by Council; and assets that could not be found or that should not have been valued. 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 2018 restated. The transport asset revaluation also resulted in revalued transport asset values, as well as components of existing assets that had not been previously recorded and components of existing assets that had not previously been recorded as separate components. A revaluation increment was identified and was recognised in the 2019-20 financial year for these assets (a prior period adjustment was not recognised for these assets).

During the 2019-20 financial year, Council also completed a land asset revaluation. During the land asset revaluation Council reviewed the land assets and identified: land assets that had not been previously recorded; and land assets that were not owned by Council. 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 2018 restated. The land asset revaluation also resulted in revalued land asset values. A revaluation decrement was identified and was recognised in the 2019-20 financial year (a prior period adjustment was not recognised for the revaluation decrement).

During the 2019-20 financial year, Council also identified assets, across a number of asset classes, that had not been previously recorded. These were identified for the following asset classes: buildings and other structures; footpaths and cycle ways; land improvements; and stormwater. 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 2018 restated.

	Prior Period Adjustment 1/7/2018				Prior Period Adjustment 1/7/2018 - 30/6/2019		
	Prior Period Asset Adjustment	Prior Period Depreciation Adjustment 2017/2018	Original Balance 1/7/2018	Restated Balance 1/7/2018	Prior Period Depreciation Adjustment 2018/2019	Original Balance 30/6/2019	Restated Balance 30/6/2019
Property							
Land							
Gross	(711)	-	11,053	10,342	-	10,797	10,086
Accumulated depreciation	-	-	-	-	-	-	-
Land written down value	(711)	-	11,053	10,342	-	10,797	10,086
Land under roads							
Gross	(83)	-	15,476	15,393	-	15,597	15,514
Accumulated depreciation	-	-	-	-	-	-	-
Land under roads written down value	(83)	-	15,476	15,393	-	15,597	15,514
Buildings and other structures							
Gross	20	-	24,012	24,032	-	24,836	24,856
Accumulated depreciation	-	-	(4,546)	(4,546)	-	(5,519)	(5,519)
Buildings and other structures written down value	20	-	19,466	19,486	-	19,117	19,137
Infrastructure							
Roads							
Gross	(1,880)	-	118,673	116,813	-	122,290	120,430
Accumulated depreciation	1,362	56	(61,944)	(60,526)	56	(63,674)	(62,200)
Roads written down value	(498)	56	56,729	56,287	56	58,616	58,230
Footpath and cycle ways							
Gross	(36)	-	7,156	7,120	-	9,411	9,375
Accumulated depreciation	55	2	(2,228)	(2,171)	2	(2,820)	(2,761)
Footpath and cycle ways written down value	19	2	4,928	4,949	2	6,591	6,614
Other transport infrastructure							
Gross	733	-	-	733	-	-	733
Accumulated depreciation	(150)	(18)	-	(168)	(18)	-	(186)
Other transport infrastructure written down value	583	(18)	-	565	(18)	-	547

Notes to the Financial Report For the Year Ended 30 June 2020

	Prior Period Adjustment 1/7/2018				Prior Period Adjustment 1/7/2018 - 30/6/2019		
	Prior Period Asset Adjustment	Prior Period Depreciation Adjustment 2017/2018	Original Balance 1/7/2018	Restated Balance 1/7/2018	Prior Period Depreciation Adjustment 2018/2019	Original Balance 30/6/2019	Restated Balance 30/06/2019
Infrastructure (continued)							
Stormwater							
Gross	456	-	51,568	52,024	-	52,325	52,781
Accumulated depreciation	(90)	(5)	(12,952)	(13,047)	(5)	(13,356)	(13,456)
Stormwater written down value	366	(5)	38,616	38,977	(5)	38,969	39,325
Land improvements							
Gross	8	-	19,754	19,762	-	16,931	16,939
Accumulated depreciation	(1)	-	(7,677)	(7,678)	-	(6,663)	(6,664)
Land improvements written down value	7	-	12,077	12,084	-	10,268	10,275
Equity							
Accumulated surplus	(297)	35	89,908	89,646	35	95,147	94,920
Reserves	-	-	182,579	182,579	-	186,164	186,164
Total property, infrastructure, plant and equipment	(297)	35	241,632	241,370	35	244,030	243,803
Depreciation and amortisation					(35)	5,151	5,116
Results from continuing operations					35	5,239	5,274
Total comprehensive result					35	8,824	8,859

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Note 6.3 Investment property		
Balance at beginning of financial year	356	297
Fair value adjustments	9	59
Balance at end of financial year	365	356

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	58	88		
Water rights	230	230		
Computer software	27	-		
	315	318		
Works in progress				
Computer software	227	-		
Total works in progress	227	-		
Total intangible assets	542	318		
Reconciliation of intangible assets	Computer software	Municipal revaluation	Water rights	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2018	-	149	230	379
Other	-	17	-	17
Balance at 30 June 2019	-	166	230	396
Other	28	-	-	28
Balance at 30 June 2020	28	166	230	424
Accumulated amortisation and impairment				
Amortisation expense	-	78	-	78
Balance at 30 June 2019	-	78	-	78
Amortisation expense	1	30	-	31
Balance at 30 June 2020	1	108	-	109
Works in progress				
Balance at 1 July 2018	-	-	-	-
Other	-	-	-	-
Balance at 30 June 2019	-	-	-	-
Acquisition of assets	255	-	-	255
Transfer of assets	(28)	-	-	(28)
Balance at 30 June 2020	227	-	-	227
Net book value at 30 June 2019	-	88	230	318
Net book value at 30 June 2020	254	58	230	542

Notes to the Financial Report For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
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:		
Computer software	3 years	
Municipal revaluation	5 years	
Roads revaluation	5 years	
Water rights	Unamortisable	

Note 6.5 Right-of-use assets

a) Right-of-use assets

	Property \$'000	Plant and equipment \$'000	Infrastructure \$'000	Other \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2019	-	-	-	-	-
Adoption of AASB 16	-	8	-	-	8
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2020	-	8	-	-	8
Accumulated amortisation and impairment					
Balance at 1 July 2019	-	-	-	-	-
Adoption of AASB 16	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation expense	-	(7)	-	-	(7)
Balance at 30 June 2020	-	(7)	-	-	(7)
Net book value at 30 June 2020	-	1	-	-	1

Accounting policy under AASB 16 - Applicable from 1 July 2019

Leases - Council as Lessee

In contracts where Council is a lessee, Council recognises a right-of-use asset and a lease liability at the commencement date of the lease, unless the short-term or low-value exemption is applied. Refer to note 7.4 for details on accounting policy of lease liability.

A right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

All right-of-use assets are measured as described in the accounting policy for property, infrastructure, plant and equipment in Note 6.1. Also, Council applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the aforesaid note.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Council expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Refer to note 10.3 for further details on adoption of AASB 16.

Note 6.6 Other assets

Current

Prepayments	164	141
Accrued income (2019 Only)	-	40
Other	40	-
Total	204	181

Notes to the Financial Report For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
Note 7 Current liabilities		
Note 7.1 Trade and other payables		
Trade payables	169	269
Accrued expenses	369	340
Other	107	106
Total trade and other payables	645	715
Non-current		
Other	28	29
Total	28	29
Total trade and other payables	673	744

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

Note 7.2 Trust funds and deposits		
Refundable application deposits	506	493
Retention amounts	271	336
Total trust funds and deposits	777	829

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.

	Annual leave \$ '000	Long service leave \$ '000	Rostered day off \$ '000	Accrued day off \$ '000	Total \$ '000
Note 7.3 Provisions					
2020					
Balance at beginning of the financial year	518	805	36	20	1,379
Additional provisions	439	187	101	48	775
Amounts used	(358)	(84)	(90)	(35)	(567)
Balance at the end of the financial year	599	908	47	33	1,587
Current	599	580	47	33	1,259
Non-current	-	328	-	-	328
Total	599	908	47	33	1,587
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
Current	518	518	36	20	1,092
Non-current	-	287	-	-	287
Total	518	805	36	20	1,379

(a) Employee benefits	2020	2019
The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	3.40%	2.50%
Weighted average discount rates	0.41%	1.06%
Weighted average settlement period	12	12
Employee numbers (full time equivalent)	66	60

Notes to the Financial Report For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
Accounting policy		
Employee benefits		
<i>i) Short term obligations</i>		
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.		
<i>ii) Other long term employee benefit obligations</i>		
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.		
<i>iii) Sick leave</i>		
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.		
<i>iv) Defined benefit plans</i>		
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 <i>Employee Benefits</i> , Council does not use defined benefit accounting for these contributions.		
<i>v) Defined contribution plans</i>		
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.		

Note 7.4 Lease liabilities

Lease liabilities	2
	2
Current	2
Non-current	-

Lease liabilities are secured by the related underlying assets. Future minimum lease payments were as follows:

As at 30 June 2020	Minimum lease payments due						Total
	Within 1 year \$ '000	1-2 years \$ '000	2-3 years \$ '000	3-4 years \$ '000	4-5 years \$ '000	After 5 years \$ '000	
Lease payments	2	-	-	-	-	-	2
Finance charges	-	-	-	-	-	-	-
Net present value	2	-	-	-	-	-	2

Notes to the Financial Report For the Year Ended 30 June 2020

	2020	2019
	\$'000	\$'000
Accounting policy under AASB 16 - Applicable from 1 July 2019		
Leases - Council as Lessee		
The lease liability is measured at the present value of outstanding payments that are not paid at balance date, discounted by using the rate implicit in the incremental borrowing rate.		
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.		

Note 7.5 Contract liabilities

Current

Rates and charges in advance	332
Grants received in advance	506
Funds received prior to performance obligation being satisfied (Upfront payments)	-
	<u>838</u>

Non-current

Grants received in advance	-
----------------------------	---

Accounting policy under AASB 15 and AASB 1058 - applicable from 1 July 2019

Council recognised the following contract liabilities with customers:

i) Rates and charges in advance represents amounts received by Council prior to the commencement of the rating or charging period. Revenue is recognised by council at the beginning of the rating or charge period to which the advance payment relates.

ii) Grants received in advance includes funding for the:

- Construction of new unisex change rooms Pembroke Park, Sorell for the provision of greater opportunities for females to engage in sport and recreation.
- General works Gypsy Bay boat ramp, Primrose Sands for the provision of artificially deepening/widening the waterway to improve navigational safety.
- Construction of a new nature based playground Snakes Hollow, Carlton for the provision of meeting community need for health, wellbeing and recreational opportunities.
- Construction of new pedestrian walkways and bridge Penna Beach, Penna for the provision of enhanced access to nature and recreation for the community.
- Construction of new bus stop infrastructure, Sorell for the provision of formalising bus stops and meeting DDA requirements.

The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue.

iii) Upfront payments of funding are recognised as a contract liability until performance obligations in accordance with AASB 15 are satisfied and recognition criteria are met.

Refer to note 10.3 for accounting policy related to AASB 15 and AASB 1058.

Note 8 Non-current liabilities

Note 8.1 Interest-bearing loans and borrowings

Current

Borrowings - secured	273	200
	<u>273</u>	<u>200</u>

Non-current

Borrowings - secured	1,907	1,880
	<u>1,907</u>	<u>1,880</u>
Total	<u>2,180</u>	<u>2,080</u>

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	273	200
Later than one year and not later than five years	1,907	1,880
Total	<u>2,180</u>	<u>2,080</u>

Notes to the Financial Report For the Year Ended 30 June 2020

2020	2019
\$'000	\$'000

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 2020

Note 9 Note 9.1	Other financial information Reserves	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
		\$'000	\$'000	\$'000	\$'000
	(a) Asset revaluation reserve				
	2020 Property				
	Land	8,589	-	(987)	7,602
	Land under roads	10	2,325	-	2,335
	Land improvements	4,756	-	-	4,756
	Buildings	12,197	147	-	12,344
		25,552	2,472	(987)	27,037
	Infrastructure				
	Roads	123,953	12,332	-	136,285
	Bridges	3,925	2,370	-	6,295
	Waste	642	-	-	642
	Stormwater	31,661	-	-	31,661
		160,181	14,702	-	174,883
	Associate - Southern Waste Solutions (note 5.1)	55	-	-	55
		55	-	-	55
	Total asset revaluation reserve	185,788	17,174	(987)	201,975
	2019 Property				
	Land	8,589	-	-	8,589
	Land under roads	10	-	-	10
	Land improvements	4,756	-	-	4,756
	Buildings	12,197	-	-	12,197
		25,552	-	-	25,552
	Infrastructure				
	Roads	123,953	-	-	123,953
	Bridges	3,925	-	-	3,925
	Waste	642	-	-	642
	Stormwater	31,661	-	-	31,661
		160,181	-	-	160,181
	Associate - Southern Waste Solutions (note 5.1)	55	-	-	55
		55	-	-	55
	Total asset revaluation reserve	185,788	-	-	185,788

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

(b) Fair value reserve

2020 Equity investment assets				
Investment in water corporation	(674)	-	(6,553)	(7,227)
Total fair value reserve	(674)	-	(6,553)	(7,227)
2019 Equity investment assets				
Investment in water corporation	(4,259)	3,585	-	(674)
Total fair value reserve	(4,259)	3,585	-	(674)

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 2020

Note 9.1 Reserves (continued) (c) Other reserves

2020	Plant replacement	5	-	-	5
	Children's services	56	-	-	56
	Tracks and trails	23	-	-	23
	Stormwater southern beaches	900	-	-	900
	Land	66	-	-	66
	Total other reserves	1,050	-	-	1,050
2019	Plant replacement	5	-	-	5
	Children's services	56	-	-	56
	Tracks and trails	23	-	-	23
	Stormwater southern beaches	900	-	-	900
	Land	66	-	-	66
	Total other reserves	1,050	-	-	1,050

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

	2020 \$'000	2019 \$'000
Total reserves	195,798	186,164
Note 9.2 Reconciliation of cash flows from operating activities to surplus (deficit)	2020 \$'000	2019 \$'000
Result from continuing operations	7,101	5,274
Depreciation/amortisation	5,198	5,118
Depreciation of right-of-use assets	7	-
(Profit)/loss on disposal of property, infrastructure, plant and equipment	2,336	942
(Profit)/loss on de-recognition/ de-recognition of property, plant and equipment, infrastructure	-	74
Developer Contributions	(5,298)	(1,804)
(Gain)/loss on interest in associate	(1,001)	(731)
Fair value adjustments for investment property	(9)	(59)
Capital grants received specifically for new or upgraded assets	(1,277)	(2,269)
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	(891)	75
Decrease/(increase) in other assets	(23)	(63)
Decrease/(increase) in inventories	18	(9)
Increase/(decrease) in trade and other payables	848	58
Increase/(decrease) in provisions	208	147
Increase/(decrease) in other liabilities	-	-
Net cash provided by/(used in) operating activities	7,217	6,751

Notes to the Financial Report For the Year Ended 30 June 2020

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	Lease liabilities	Trust funds and deposits
	\$'000	\$'000	\$'000
Balance as at 1 July 2019	2,080	-	829
Adjustment due to AASB16 adoption		8	
Restated balance as at 1 July 2019	2,080	8	829
Changes from financing cash flows:			
Cash received	300	-	778
Cash repayments	(200)	(7)	(831)
Balance as at 30 June 2020	2,180	1	776
Balance as at 1 July 2018	2,267	-	659
Changes from financing cash flows:			
Cash received	-	-	635
Cash repayments	(187)	-	(465)
Balance as at 30 June 2019	2,080	-	829

Note 9.4 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 4.1)

	4,469	8,571
Total reconciliation of cash and cash equivalents	4,469	8,571

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 Benefit*, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2020 the Council contributed 14.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

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

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

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

The actuarial review concluded that:

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

Given the strong financial position of the Fund, the Actuary recommended that the Council consider a contribution holiday and contribute 0% of salaries from 1 July 2018 to 30 June 2021.

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.5 Superannuation (continued)

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 \$26k (2018-19, \$34k), and the amount paid to accumulation schemes was \$624k (2018-19, \$585k).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$25k, and the amount to be paid to accumulation schemes is \$700k.
- As reported above, 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 2019, showed that the Fund had assets of \$56.64 million and members' Vested Benefits were \$47.32 million. These amounts represented 0.6% and 0.5% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2019 the fund had 107 members and the total employer contributions and member contributions for the year ending 30 June 2019 were \$1,000,322 and \$221,484 respectively.

Fund	2020 \$'000	2019 \$'000
Defined benefits fund		
Employer contributions to Quadrant Defined Benefits Fund	26	34
	26	34
Employer contributions payable to Quadrant Defined Benefits Fund at reporting date	2	2
	2	2
Accumulation funds		
Employer contributions to Tasplan Superannuation Fund	189	180
Employer contributions to all other superannuation funds	435	405
	624	585
Employer contributions payable to Tasplan Superannuation Fund at reporting date	15	13
Employer contributions payable to all other superannuation funds at reporting date	34	30
	49	43

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.6 Commitments

Capital expenditure commitments

Buildings	1,205	-
Stormwater	573	-
Roads	-	46
Transport	157	-
Computer software	17	-
Total capital expenditure commitments	1,952	46

Contractual commitments

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

Garbage and recycling collection contract (expires 1 September 2022)	1,677	2,339
Street bins, green waste and hard waste contract (expires 30 September 2020)	97	317
Recycling centre management (expires 1 September 2022)	226	295
Recycling disposal contract (expires 31 August 2022 - N/A due to insolvency, new contract under negotiation)	-	404
Cleaning contract (expires 30 June 2021)	188	338
Legal services contract (expires 30 June 2021)	66	-
Total contractual commitments	2,254	3,693

Note 9.7 Operating leases

(a) Operating lease commitments under AASB 117 - applicable for 2019 comparatives

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
Later than one year and not later than five years	2
Later than five years	-
	9

For a reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16, refer to note 10.3

(b) Operating lease maturity receivables - applicable for 2019 comparatives

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
Later than one year and not later than five years	11
Later than five years	-
	19

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.

Guarantees for loans to other entities

Council had not guaranteed any loans to other entities for the year ended 30 June 2020.

Contingent assets

Council has assessed contingent assets and found there to be none for the year ended 30 June 2020.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.9 Financial instruments

(a) Interest rate risk

The exposure to interest rate risk and the effective interest rates of financial assets and non-lease financial liabilities, both recognised and unrecognised, at balance date are as follows. For lease liabilities refer to Note 7.4.

2020

	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		
Financial assets							
Cash and cash equivalents	0.48%	4,469	-	-	-	-	4,469
Investments	1.57%	-	6,891	-	-	-	6,891
Midway Point improvement loan receivable	9.77%	-	-	-	36	-	36
Trade and other receivables	0.00%	350	-	-	-	495	845
Investment in water corporation	0.00%	-	-	-	-	22,080	22,080
Total financial assets		4,819	6,891	-	36	22,575	34,321
Financial liabilities							
Trade and other payables	0.00%	-	-	-	-	673	673
Trust funds and deposits	0.00%	-	-	-	-	777	777
Interest-bearing loans and borrowings	5.41%	-	273	1,907	-	-	2,180
Total financial liabilities		-	273	1,907	-	1,450	3,830
Net financial assets (liabilities)		4,819	6,618	(1,907)	36	21,125	30,691

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		
Financial assets							
Cash and cash equivalents	1.29%	8,571	-	-	-	-	8,571
Investments	2.37%	-	1,405	-	-	-	1,405
Midway Point improvement loan receivable	9.77%	-	-	-	36	-	36
Trade and other receivables	0.00%	77	-	-	-	543	620
Investment in water corporation	0.00%	-	-	-	-	28,633	28,633
Total financial assets		8,648	1,405	-	36	29,176	39,265
Financial liabilities							
Trade and other payables	0.00%	-	-	-	-	744	744
Trust funds and deposits	0.00%	-	-	-	-	829	829
Interest-bearing loans and borrowings	5.97%	-	200	1,880	-	-	2,080
Total financial liabilities		-	200	1,880	-	1,573	3,653
Net financial assets (liabilities)		8,648	1,205	(1,880)	36	27,602	35,612

Notes to the Financial Report For the Year Ended 30 June 2020

9.9 Financial instruments (continued)

(b) 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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash and cash equivalents	4,469	8,571	4,469	8,571
Other financial assets	6,891	1,405	6,891	1,405
Trade and other receivables	881	656	881	656
Investment in water corporation	22,080	28,633	22,080	28,633
Total financial assets	34,321	39,265	34,321	39,265
<i>Financial liabilities</i>				
Trade and other payables	673	744	673	744
Trust funds and deposits	777	829	777	829
Lease liabilities	2	-	2	-
Interest-bearing loans and borrowings	2,180	2,080	2,180	2,080
Total financial liabilities	3,632	3,653	3,632	3,653

(c) 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.

(d) 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 the Tasmanian Public Finance Corporation. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

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

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

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

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

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

Notes to the Financial Report For the Year Ended 30 June 2020

Financial instruments (continued) (d) Risks and mitigation (continued)

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
2020				
Cash and cash equivalents	4,431	-	38	4,469
Trade and other receivables	-	-	-	-
Investments and other financial assets	2,891	4,000	-	6,891
Total contractual financial assets	7,322	4,000	38	11,360

2019				
Cash and cash equivalents	8,532	-	38	8,571
Trade and other receivables	-	-	-	-
Investments and other financial assets	1,121	284	-	1,405
Total contractual financial assets	9,654	284	38	9,976

Movement in provisions for impairment of trade and other receivables

	2020 \$'000	2019 \$'000
Balance at the beginning of the year	25	-
New Provisions recognised during the year	1	25
Amounts already provided for and written off as uncollectible	(23)	-
Amounts provided for but recovered during the year	-	-
Balance at end of year	3	25

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. In 2019-20 rates received prior to the beginning of a rating period (rates received in advance), are no longer held as a reduction to rates receivable but reported as a financial liability. The ageing of the Council's trade and other receivables was:

	2020 \$'000	2019 \$'000
Rates (secured on property)	350	77
Current (not yet due)	402	456
Past due by up to 30 days	9	6
Past due between 31 and 180 days	35	18
Past due between 181 and 365 days	19	19
Past due by more than 1 year	66	80
Total trade and other receivables	881	656

Notes to the Financial Report For the Year Ended 30 June 2020

Financial instruments (continued)

(d) Risks and mitigation (continued)

Credit risk (Continued)

Ageing of individually impaired trade and other receivables

At balance date, other debtors representing financial assets with a nominal value of \$2,233 (2018-19 \$24,717) were impaired. The amount of the provision raised against these debtors was \$2,233 (2018-19 \$24,717). 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:

	2020 \$'000	2019 \$'000
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	3	25
Total trade and other receivables	<u>3</u>	<u>25</u>

Liquidity risk

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

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

To help reduce these risks we:

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

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for non-lease financial liabilities. For lease liabilities refer to Note 7.4.

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

2020	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	673	-	-	-	-	673	673
Trust funds and deposits	13	764	-	-	-	777	777
Interest-bearing loans and borrowings	134	138	289	393	1,226	2,180	2,180
Total financial liabilities	<u>820</u>	<u>902</u>	<u>289</u>	<u>393</u>	<u>1,226</u>	<u>3,630</u>	<u>3,630</u>

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
Total financial liabilities	<u>857</u>	<u>916</u>	<u>214</u>	<u>1,666</u>	<u>-</u>	<u>3,536</u>	<u>3,653</u>

Notes to the Financial Report For the Year Ended 30 June 2020

Financial instruments (continued)

(e) 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 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 basis points		+100 basis points	
2020	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:					
Cash and cash equivalents	4,469	(89)	(89)	45	45
Investments	6,891	(138)	(138)	69	69
Financial liabilities:					
Interest-bearing loans and borrowings	2,180	(44)	(44)	22	22

		Interest rate risk			
		-2%		1%	
		-200 basis points		+100 basis points	
2019	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:					
Cash and cash equivalents	8,571	(171)	(171)	86	86
Investments	1,405	(28)	(28)	14	14
Financial liabilities:					
Interest-bearing loans and borrowings	2,080	(42)	(42)	21	21

Notes to the Financial Report For the Year Ended 30 June 2020

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 and cycle ways, kerb and channel and other transport infrastructure
 - Bridges
 - Stormwater
 - Other infrastructure

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

Council also had assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. These comprise of two parcels of land held for sale; Pawleena Dam, Pawleena Road, Pawleena and 47 Cole Street, Sorell, as disclosed in note 4.5. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

(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

- 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 2020.

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 2020

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment property	6.3	-	365	-	365
Investment in water corporation	5.2	-	-	22,080	22,080
Land	6.1	-	-	-	-
Land under roads	6.1	-	-	-	-
Land improvements	6.1	-	-	14,028	14,028
Buildings	6.1	-	-	-	-
Roads, including formation earthworks, footpaths and cycle ways, kerb and channel and other transport infrastructure	6.1	-	-	239,349	239,349
Bridges	6.1	-	-	18,650	18,650
Stormwater	6.1	-	-	55,726	55,726
Other infrastructure	6.1	-	-	1,893	1,893
		-	364	351,726	352,090
Non-recurring fair value measurements					
Assets held for sale	4.5	100	-	-	100
		100	-	-	352,190

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.10 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

As at 30 June 2019

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment property	6.3	-	356	-	356
Investment in water corporation	5.2	-	-	28,633	28,633
Land	6.1	-	-	-	-
Land under roads	6.1	-	-	-	-
Land improvements	6.1	-	-	16,939	16,939
Buildings	6.1	-	-	-	-
Roads, including formation earthworks, footpaths and cycle ways, kerb and channel and other transport infrastructure	6.1	-	-	202,453	202,453
Bridges	6.1	-	-	14,490	14,490
Stormwater	6.1	-	-	52,781	52,781
Other infrastructure	6.1	-	-	1,893	1,893
		-	356	317,189	317,545
Non-recurring fair value measurements					
Assets held for sale	4.5	-	-	-	-
		-	-	-	317,545

Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

(b) Highest and best use

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

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

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 2020, Council held a 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 Teeswater 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 2020, Council held a 1.53% (2018-19 1.54%) ownership interest in Teeswater, 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.

Refer to Notes 6.3 and 5.2 respectively for details of valuation techniques used to derive fair values.

Land

Land fair values were determined by the Valuer-General as part of the general municipal valuation. During the 2019-20 financial year, Council completed a land revaluation using the Valuer-General's 2016 general municipal valuation. The land revaluation resulted in a prior period adjustment applied, due to a material number of found assets recognised and a material asset de-recognition. A net land revaluation decrement was recognised through the Statement of Comprehensive Income. The revaluation decrement was applied to the land revaluation reserve, as a prior land asset revaluation surplus existed which was greater than the value of the 2019-20 decrement.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.10 Fair Value Measurements (continued)

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

Land held for sale

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of re-classification. At 30 June 2020 Council had two parcels of land held for sale: Pawleena Dam, Pawleena Road, Pawleena and the Emergency Hub (1 of 1) at 47 Cole Street, Sorell as disclosed in note 4.5

The fair value of the Pawleena Dam parcel of land was determined by a qualified independent valuer, Knight Frank, in July 2019. At 30 June 2020, the land's carrying value of \$100k was lower than the land's fair value of \$150k. The land held for sale was valued at \$100k.

The fair value of the parcel of land at 47 Cole Street, Sorell was determined by a Council decision made at the September 2019 Ordinary Council Meeting. At this meeting 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 Services Hub parcel of land and that each party is to bear their own associated costs. The carrying value of the parcel of land was determined by a qualified independent valuer, Knight Frank, in May 2019. At 30 June 2020, the land's fair value of \$1.00 was lower than the carrying value of \$700k. An impairment adjustment of \$700k was recognised through the Statement of Comprehensive Income and the land held for sale was valued at \$1.00.

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. During the 2019-20 financial year, Council completed a land under roads asset revaluation. 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. The land under road revaluation resulted in a prior period adjustment applied, due to a number of found assets recognised and asset de-recognitions. A net land under roads revaluation increment was credited directly to the land under roads revaluation reserve and recognised through the Statement of Comprehensive Income.

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. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

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.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.10 Fair Value Measurements (continued)

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

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. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

Buildings will be revalued by a qualified independent valuer during the 2020-21 financial year.

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 account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. The resulting valuation reflects the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 6.1.

The calculation of CRC 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.

Roads, including footpaths and cycle ways

Council categorises its road infrastructure into sealed and unsealed roads. All roads are managed in segments of no greater than 500m. All road segments are then componentised in accordance with AASB116 *Property Plant and Equipment* into formation, pavement base, pavement subbase and surface. 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 footpaths and cycle ways, kerb and channel and other transport infrastructure were revalued by a qualified independent valuer, Assetic Pty Ltd, effective 30 June 2020 (with a prior period adjustment applied). Assetic Pty Ltd determined the fair value of Council's roads infrastructure 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 determining the replacement cost of the modern equivalent (or cost re-production where relevant) and then adjusting for the level of consumed future economic benefit and impairment. The determination of appropriate unit rates, which were applied to the asset components when calculating the gross valuation, were determined using local projects/data where available, local knowledge and available data sources and verified with first principle calculations. Data sources included published reference rates from the Rawlinson's Australian Construction Handbook 2020.

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 verified Council's road infrastructure assets useful lives by: reference to benchmarking with the IPWEA Asset Management and Financial Management Guidelines, Practice Note 12 2017 Useful Life of Infrastructure; and evidence based information (including known construction dates and visual inspections).

Notes to the Financial Report For the Year Ended 30 June 2020

Note 9.10 Fair Value Measurements (continued)

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

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.

Bridges

A revaluation of bridge assets was undertaken by independent valuers, Tassspan, effective 30 June 2020 (with a prior period adjustment applied). Each bridge is assessed individually and componentised into sub-assets representing sub structure and super structure. The valuation is based on the material type used for construction and the sub structure and super structure. Construction estimates are based on the construction material used, local construction data and financial year reviews of all bridge tenders, to ensure rates used reflect current tendering. The useful lives were evaluated on an individual basis for each structure and were based on evidence based information (including known construction dates and visual inspections). Useful lives are determined by construction material used and assessment against industry standards, including the Bridge Design Standard AS5100-2004. The revaluation can be supported by market evidence (level 2), however key unobservable inputs (level 3) have been used which were significant to the valuation and therefore the overall valuation has been classified as level 3.

Stormwater

Revaluation and assessment of stormwater assets was undertaken by Sorrell 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.

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	21,981	Condition, useful and remaining life, unit rates	Score 0 - as new to score 5 - 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.
Buildings	-		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 and cycle ways and kerb and channel	239,349		Unit rate range from \$8.14/sqm (bulk earthworks) to \$1,925.47/unit (premium footpath) Refer to note 3.4 for useful life	
Bridges	18,650		Refer to note 3.4 for useful life	
Stormwater	55,726		Unit rate range from \$240.17 (drains) to \$2,000 (end structures) Refer to note 3.4 for useful life	
Investment in Water Corporation	22,080	Refer to note 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 2020

Note 9.10 Fair Value Measurements (Continued)

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 property plant and equipment assets with recurring fair value measurements are detailed in note 6.1 (Property, infrastructure, plant and equipment). Investment in water corporation, which is classified as level 3 has been separately disclosed in note 5.2. Investments classified as Level 3 have been separately disclosed in note 6.3.

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

(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 5.1, 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 borrowings are measured at amortised cost with interest recognised in Statement of Comprehensive Income when incurred. The fair value of borrowings disclosed in note 8.1 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 2020

Note 9.11 Events occurring after balance date

(a) Disposal of Public Land - Pawleena Dam

On 21 July 2020, at the July 2020 Ordinary Council Meeting, Council authorised the General Manager to finalise the sale process for the disposal of the Pawleena Dam, Pawleena Road, Pawleena, described in Certificate of Title Volumes 35371/1, 230396/1 and 35370/1, at an offer of \$539,000 and to execute the necessary contract documents. Subsequent to the July 2020 meeting the \$539,000 offer fell through. On 22 September 2020, at a Special Council Meeting, Council authorised the General Manager to finalise the sale process for the disposal of the Pawleena Dam at an offer of \$100,000 and to execute the necessary contract documents. The Pawleena Dam public land has been disclosed as an asset held for sale at 30 June 2020 (refer to note 4.5).

(b) Waste Management

On 21 July 2020, at the July 2020 Ordinary (Closed) Council Meeting, Council authorised the General Manager to accept the tender received for Waste Management. This tender was in relation to contractual commitments for street bins, green waste and hard waste as at 30 June 2020 which expires 30 September 2020 (refer to note 9.8).

Note 10 Other matters

Note 10.1 Related party transactions

(ii) Councillor remuneration

Short term employee benefits							
Name	Position	Period	Allowances \$'000	Vehicles ¹ \$'000	Total compensation AASB 124 \$'000	Expenses ² \$'000	Total allowances and expenses section 72 \$'000
K Vincent	Mayor	Full Year	54	0	54	1	55
N Reynolds	Deputy Mayor	Full Year	30	0	30	0	30
K Degross	Councillor	Full Year	15	0	15	0	15
D De Williams	Councillor	Full Year	15	0	15	1	16
V Gala	Councillor	Full Year	15	0	15	1	16
G Jackson	Councillor	Full Year	15	0	15	0	15
B Nichols	Councillor	Full Year	15	0	15	1	16
M Reed	Councillor	Full Year	15	0	15	1	16
C Tornius	Councillor	Full Year	15	0	15	0	15
Total			189	0	189	5	194

Short term employee benefits							
Name	Position	Period	Allowances \$'000	Vehicles ¹ \$'000	Total compensation AASB 124 \$'000	Expenses ² \$'000	Total allowances and expenses section 72 \$'000
K Vincent	Mayor	Full Year	53	0	53	3	56
B McDonald		To Oct 2018	10	0	10	0	10
N Reynolds	Deputy Mayor	From Nov 2018	20	0	20	0	20
N Reynolds	Councillor	To Oct 2018	5	0	5	0	5
K Degross	Councillor	Full Year	15	0	15	0	15
D De Williams	Councillor	Full Year	15	0	15	2	17
G Evans	Councillor	To Oct 2018	5	0	5	0	5
V Gala	Councillor	Full Year	15	0	15	0	15
G Jackson	Councillor	Full Year	10	0	10	0	10
B Nichols	Councillor	Full Year	10	0	10	1	11
M Reed	Councillor	Full Year	10	0	10	1	11
C Tornius	Councillor	Full Year	15	0	15	0	15
L White	Councillor	To Oct 2018	5	0	5	0	5
Total			187	0	187	8	195

¹ 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).

² Section 72(1)(b) of the Local Government Act 1993 requires the disclosure of expenses paid to Councillors. Expenses are for travel, conferences and childcare.

(iii) Key management personnel remuneration

2020			Remuneration band	Short term employee benefits				Post employment benefits		Non-monetary benefits ⁷	Total
Name	Position	Period		Salary ¹	Short-term incentive payments ²	Vehicles ³	Other allowances and benefits ⁴	Superannuation ⁵	Termination benefits ⁶		
R Higgins	General Manager	Full Year	\$260 001 - \$280 000	202	0	14	0	29	0	19	264
R Fox	Manager Engineering & Regulatory Services	Full Year	\$160 001 - \$180 000	137	0	9	0	20	0	11	177
S Gunn	Manager Finance & Information	Full Year	\$140 001 - \$160 000	115	0	10	0	16	0	9	150
J Ralford	Manager Human Resources, Customer & Community Services	Full Year	\$120 001 - \$140 000	111	0	10	0	15	0	(10)	127
Sub-total				565	0	43	0	81	0	29	718
Acting arrangements											
J Ralford	Acting Manager Human and Community Services	Oct 19 - Nov 19, Jan and Feb 20		20	0	0	0	3	0	0	23
Sub-total				20	0	0	0	3	0	0	23
Total				585	0	43	0	84	0	29	741

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.1 Related party transactions (continued)
(iii) Key management personnel remuneration (continued)

Name	Position	Period	Remuneration band	Short term employee benefits				Post employment benefits		Non-monetary Benefits ⁷	Total
				Salary ¹	Short-term incentive payments ²	Vehicles ³	Other allowances and benefits ⁴	Super-annuation ⁵	Termination benefits ⁶		
				\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
R Higgins	General Manager	Full Year	\$200 001 - \$220 000	135	0	7	0	20	0	57	219
R Fox	Manager Engineering & Regulatory Services	Full Year	\$160 001 - \$180 000	135	0	10	0	19	0	9	173
T House	Manager Finance & Information	To Jan 2019	\$80 001 - \$100 000	56	2	7	0	10	0	(31)	84
S Gunn	Manager Finance & Information	From Jan 2019	\$80 001 - \$90 000	50	0	3	0	9	0	9	72
J Radford	Manager Human Resources, Customer & Community Services	Full Year	\$140 001 - \$160 000	108	0	10	0	16	0	9	143
Total				524	2	37	0	74	0	53	690

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

² 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.

³ 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).

⁴ 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.

⁵ Superannuation means the contribution to the superannuation fund of the individual.

⁶ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁷ Non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc.)

(iv) Remuneration principles

Councillors

Remuneration levels for Councillors are set by the Department of Premier and Cabinet and renewed 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 Sorrell Council's Payment of Councillor's 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.

There were no short term incentive payments awarded during the current year.

Termination benefits

No termination payments were made during the current year to key management personnel.

Acting arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence.

Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

- In the current reporting period, Miss J Rafferty was appointed to the position of Acting Manager Human Resources, Customer and Community Services, whilst Mrs J Radford was on extended leave.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.1 Related party transactions (continued)

(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 2019-20 financial year Council maintained an ownership interest of 24% (2018-19: 24%).

All transactions between Council and Southern Waste Solutions during the 2019-20 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 2019-20 financial year:

Nature of the transaction	Amount of the transactions during the year	Outstanding	Terms and conditions
Council expense - Waste disposal fees	\$94,637	Accrued expenses - \$19,212	30 day invoice terms
Council income - Copping Refuse Disposal Site land rental	\$77,550	Nil	In accordance with the signed lease agreement, the Copping Refuse Disposal Site land valuation and Council's ownership interest.
Council income - Copping Refuse Disposal Site land tax (15/16 - 19/20 Financial years)	\$53,693	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 2018/19 profit share	\$36,036	Nil	In accordance with ownership interest.

(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 ¹	\$5,923	Nil	30-day terms on invoices	Nil	Nil
Development/ application (planning) ²	\$930	Nil	In accordance with Building Act 2016 & Council's approved fees & charges	Nil	Nil
Payment of industrial rates ³	\$7,318	Nil	In accordance with Council's approved Rates & Charges Policy and 2019/2020 Rates & Charges Resolution	Nil	Nil

¹ 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.

² Development Application Fees were received in relation to a development application by a family member of a Council KMP for visitor accommodation. The building application was lodged on 22 November 2019 and fees were paid to Council on 9 January 2020. The application was processed and approved on 12 December 2019 in accordance with the Building Act 2016 by Council's internal permit authority.

³ During the 2019-20 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 (13 Sawmill). This property is the industrial site for Torenz 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 2019-20 Rates & Charges Resolution. The rates were paid in full during the 2019-20 financial year, with an outstanding balance of \$0 as at 30 June 2020.

⁴ During the 2019-20 financial year, a company in which a Council KMP is a director, paid rates on a property classified by the Valuer-General as non-vacant industrial. This property is the industrial site for a self storage facility Boats and General Storage by the Bay, 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 2019-20 Rates & Charges Resolution. The rates were paid in full during the 2019-20 financial year, with an outstanding balance of \$0 as at 30 June 2020.

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 2019-20 financial year, with a balance of \$2,500,000 at 30 June 2020. This balance made up 36% of Council's total investments as at 30 June 2020. 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.

(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 disclosures, 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; and
- Dunally Hall and Reserves Committee.

The above Special Committees financial transactions were included with Council's and resulted in Consolidated Financial Statements being prepared for the year ended 30 June 2020.

Notes to the Financial Report For the Year Ended 30 June 2020

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 Comprehensive Income represent revised budget amounts and are not audited.

(g) Adoption of new and amended accounting standards

In the current year, Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards

(i) AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*

Council adopted AASB15 and AASB1058 using the modified retrospective method of transition, with the date of initial application of 1 July 2019. In accordance with the provisions of this transition approach, Council recognised the cumulative effect of applying these new standards as an adjustment to opening Accumulated surpluses at the date of initial application, i.e., 1 July 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on revenue and income. In addition, Council has applied the practical expedients and elected to apply these standards retrospectively only to contracts and transactions that were not completed contracts at the date of initial application, i.e., as at 1 July 2019.

As Council has applied the modified retrospective approach, it has applied the practical expedient described in AASB15.C5(c) for all contract modifications that occurred before application date. In doing so Council did not retrospectively restate the contract for those modifications in accordance with AASB15.20-21. Instead, Council reflected the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

- Identifying the satisfied and unsatisfied performance obligations
- Determining the transaction price
- Allocating the transaction price to the satisfied and unsatisfied performance obligation.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.3 Other significant accounting policies and pending accounting standards (continued)

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

(i) AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (continued)

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.

The impact of the new standard has changed in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. Under the new income recognition model applicable to not-for-profit entities, Council determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'. If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), Council applies the general AASB15 principles to determine the appropriate revenue recognition. If these criteria are not met, Council considers whether AASB1058 applies.

AASB 1058 supersedes all the income recognition requirements relating to council, 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.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council previously recognised 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, has now been recognised as a financial liability until the commencement of that rating period. In previous years Council recognised prepaid rates received prior to the beginning of a rating period, as a financial asset. The impact to Council has been that revenue previously recognised when received from Rates and charges in advance has moved from being recognised as an asset to now being recognised as a liability, with revenue deferred until the commencement of the applicable rating period.

For further details on individual revenue streams refer to their accompanying policy note.

The tables below highlight the impact of adopting AASB 15 and AASB 1058 on the Statement of Comprehensive income and Statement of Financial Position. There was no material impact on Council's Statement of Cash Flows.

Statement of Comprehensive Income (Extract)	Reference	Note	Amounts under AASB 118 & 1004	Adjustment	Amounts under AASB 15 & 1058
Recurrent income			\$'000	\$'000	\$'000
Rates and charges	2.1	1	13,708	-	13,708
Capital grants	2.4	2	2,269	(688)	1,581
Statement of Financial Position (Extract)	Reference	Note	Amounts under AASB 118 & 1004	Adjustment	Amounts under AASB 15 & 1058
			\$'000	\$'000	\$'000
Current assets					
Other assets	2.1/7.5	1	-	267	267
Current liabilities					
Other liabilities	2.4/7.5	1/2	-	(955)	(955)
Equity					
Accumulated surplus			(94,920)	688	(94,232)

1 Prepaid rates received prior to the beginning of a rating period, are now held as a financial liability until the commencement of a statutory rating period at which point Council recognises rate income. This is not applicable as Council previously recognised this amount as a financial asset. In 2018-19 Council recognised prepaid rates as a credit to rates debtors (current asset).

2 For grant funding where specific performance obligations are yet to be completed to acquire, construct or upgrade a recognisable non-financial asset, Council recognises a liability until obligations are fulfilled.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.3 Other significant accounting policies and pending accounting standards (continued)

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

(ii) AASB 16 Leases

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.

Council has applied this standard from 1 July 2019 using a retrospective approach (partial) 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.

AASB 16 has resulted 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 are disclosed in note 3.6.

The calculation of the lease liability has taken into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets has been recognised, which has been amortised over the term of the lease. Rent expense is no longer shown. The profit and loss impact of the leases has been 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 has been shown as cash flows from financing activities instead of operating activities.

a) Impact of the new definition of a lease

Council has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Instead contracts containing a lease under AASB 17 or Interpretation 4 at transition will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

b) Impact of lessee accounting

i) Former operating leases

AASB 16 changes how Council accounts for leases previously classified as operating leases under AASB 17, which were off balance sheet.

Applying AASB 16, for all leases, Council:

- a) Recognises right-of-use of assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities where as under AASB 117 they resulted into the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.3 Other significant accounting policies and pending accounting standards (continued)

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

(ii) AASB 16 Leases (continued)

Transition

On transition to AASB16, Council recognised additional right-of-use assets and additional lease liabilities, recognising the difference in Accumulated surpluses. The impact on transition is summarised below.

1 July 2019	Note	\$'000
Right-of-use assets	6.5	8
Lease liabilities	7.4	(8)
Accumulated surpluses		-

Reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16

As a lessee, the weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on the date of initial application was 3.0%. The difference between the operating lease commitments disclosed previously by applying AASB117 and the value of the lease liabilities recognised under AASB16 on 1 July 2019 as disclosed in note 7.4 is explained as follows:

Operating lease commitments disclosed as at 30 June 2019	9
Discounted using Council's weighted average incremental borrowing rate of 3.0%	8
Lease liability recognised as at 1 July 2019	8

(h) Pending accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) 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 acknowledge 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 2020

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.

Recreational Vehicle (RV) Park

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 2020 Council had not been provided with a determination from the Treasurer.

COVID-19 Pandemic

During the second half of the 2019-20 financial year the Council was hit by the impact of the COVID-19 global pandemic. The financial impacts to 30 June 2020 were minimal, essentially additional expenditure was incurred in relation to cleaning, protective clothing, advertising and signage. From an income perspective, hire fees and lease income of Council owned buildings and community facilities were reduced due to the forced closures under COVID-19 restrictions. The impact of COVID-19 on Council's income and expenditure were not material, except for the impact on investment revenue from Water Corporations. All material budget variations of more than 10% are explained at Note 10.6. Since April 2020, Council has passed a number of relief motions in response to the COVID-19 situation.

At the April 2020 Council Meeting, Council passed the following COVID-19 relief motions:

- no penalties, charges, interest for late rates payments and extended payment periods for ratepayers meeting hardship requirements up to the second rate instalment in October 2020 in accordance with the Financial Hardship Assistance Policy;
- rent relief on Council owned buildings where tenants are experiencing financial hardship until 30 June 2020;
- a common approach to hardship/assistance policies with Local Government Association of Tasmania to develop a model policy based on engagement with councils;
- community grants to be refocussed as appropriate to support local business and not for profit recovery or conversion to a digital environment or circular economy until 30 June 2021;
- as a means of supporting local business recovery and injecting funds into communities in a timely manner, council be encouraged to settle creditor invoices within a maximum 14 day timeframe (or sooner), irrespective of normal trading terms;
- that Sorell Council adopt a 0% increase on general rates, fees and charges for 2020-21;
- Sorell Council will not alter the organisations current asset and financial management practices in response to COVID-19; and
- adoption of the Financial Hardship Assistance Policy, providing COVID-19 financial hardship relief up to the second rate instalment in October 2020.

At the May 2020 Council Meeting, Council passed the following COVID-19 relief motions:

- adoption of the revised Financial Hardship Assistance Policy, with specific commercial/business inclusions; and
- adoption of the 2020-2021 Fees and Charges, with a 0% increase from 2019-2020.

At the June 2020 Council Meeting, Council passed the following COVID-19 relief motions:

- adoption of a 50% reduction in fees and charges for permanent community based users of Council's community facilities and grounds from 25 May 2020 until 30 June 2021; and
- adoption of the 2020-2021 Rates and Charges Resolution for rateable land within the Council's municipal area for the period 1st July 2020 to 30 June 2021, with a 0% increase from 2019-2020.

Subsequent to 30 June 2020, at the September 2020 Council Meeting, Council reviewed the Financial Hardship Assistance Policy and extended the policy to provide COVID-19 financial hardship relief up to 30 June 2021.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.5 Management indicators		Benchmark	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
(a) Underlying surplus or deficit						
Net result for the year			7,101	5,274	(1,025)	3,596
Less non-operating income						
Capital income			6,575	4,073	1,624	2,502
Net gain/(loss) on de-recognition/recognition			-	(74)	-	-
Commonwealth Financial Assistance Grant received in advance			159	27	(6)	1,076
Add non-operational expenses			-	-	-	-
Underlying surplus/deficit		> \$0	367	1,248	(2,643)	18

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

The surplus result is above the benchmark.

(b) Underlying surplus ratio						
<u>Underlying surplus or deficit</u>			367	1,248	(2,643)	18
Recurrent income*			17,648	18,525	14,679	17,515
Underlying surplus ratio %		> 0%	2%	7%	(18%)	0%

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

A positive result for the council in 2020 after a similar result in 2019, further demonstrating financial operating effectiveness.

(c) Net financial liabilities						
Liquid assets			11,811	9,185	8,342	7,174
Less total liabilities			6,057	5,032	4,781	4,861
Net financial liabilities		> \$0	5,754	4,153	3,561	2,313

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.

The ratio result demonstrates Council is in a favourable position, it is able to cover its financial obligations as and when they fall due. The liquid assets amount is inclusive of investments as per previous years.

(d) Net financial liabilities ratio						
<u>Net financial liabilities</u>			5,754	4,153	3,561	2,313
Recurrent income*			17,648	18,525	14,679	17,515
Net financial liabilities ratio %		0% - (50%)	33%	22%	24%	13%

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

A positive result for the council in 2020 after a similar result in previous years, further demonstrating a strong liquidity position and an ability to meet ongoing liabilities from recurrent income.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.5 Management indicators (continued)

Benchmark

2020
\$'000

2019
\$'000

2018
\$'000

2017
\$'000

(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>	163,517	144,239	138,080	134,511
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Current replacement cost	257,999	216,943	210,361	221,685
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Asset consumption ratio %	63%	66%	66%	61%
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Buildings

<u>Depreciated replacement cost</u>	19,039	19,137	19,611	19,676
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Current replacement cost	24,986	24,656	24,235	23,655
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Asset consumption ratio %	76%	78%	81%	83%
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Stormwater

<u>Depreciated replacement cost</u>	41,735	39,325	38,616	36,082
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Current replacement cost	55,726	52,781	51,568	47,388
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Asset consumption ratio %	75%	75%	75%	76%
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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. All ratio calculations indicate a high level of service potential is available in the Council's existing asset base.

(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>	51,303	51,792	63,682	76,900
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Projected capital expenditure funding***	50,321	50,186	63,000	66,500
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Asset renewal funding ratio %	90-100%	102%	103%	101%
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Buildings

<u>Projected capital funding outlays**</u>	12,909	10,019	9,377	9,079
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Projected capital expenditure funding***	13,177	10,478	9,702	9,329
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Asset renewal funding ratio %	90-100%	98%	96%	97%
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Stormwater

<u>Projected capital funding outlays**</u>	9,513	9,301	7,684	8,064
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Projected capital expenditure funding***	9,762	9,801	7,920	8,075
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Asset renewal funding ratio %	90-100%	97%	95%	97%
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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 meet or exceed the benchmark indicating Council is accumulating funds sufficiently to provide for asset renewal needs.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.5 Management indicators (continued)

	Benchmark	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
(g) Asset sustainability ratio					
<u>Capex on replacement/renewal of existing assets</u>		4,925	4,885	4,678	5,645
Annual depreciation expense		5,205	5,116	5,160	5,014
Asset sustainability ratio %	100%	95%	95%	91%	113%

This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base. The result above is consistent with the past two years. Council is slightly below the benchmark but confident appropriate measures are in place.

2020

By asset class	Capital renewal expenditure \$'000	Capital new /upgrade expenditure \$'000	Total capital expenditure \$'000
Transport infrastructure	3,702	1,043	4,745
Stormwater	24	375	399
Land and buildings	181	680	861
Other	1,018	237	1,255
Total	4,925	2,335	7,260

2019

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

Notes to the Financial Report For the Year Ended 30 June 2020

Note 10.6 Material Budget Variations

Council's original budget was adopted by Council on 18 June 2019, at the June 2019 Ordinary Council Meeting. In December 2019 and January 2020 Council reviewed and amended the original budget and completed the Mid Year Budget Review. The Mid Year Budget Review was adopted by Council on 18 February 2020, at the February 2020 Ordinary Council Meeting. The projections on which the budget was based have been affected by a number of factors throughout the financial year. These include State and Federal Government decisions, including new grant programs, changing economic activity, impacts of the global coronavirus pandemic, the weather and by decisions made by the Council. Material variations, from the Mid Year Budget Review figure of more than 10% are explained below.

Revenues

(i) Statutory fees and fines

Statutory fees and fines income was above budget by \$61k (11%) for the 2019-20 financial year. The Sorell municipality continued to enjoy population growth during the 2019-20 financial year and as a result Council experienced higher than expected activity levels in a number of areas. In particular, income from land information certificates was above budget by \$20k and income from town planning fees was above budget by \$43k, as a result of higher than expected development activity.

(ii) Grants

Grants was above budget by \$1.247m (102%) for the 2019-20 financial year. This is due to the early receipt of the Australian Government Financial Assistance Grant (FAG) funding. The Australian Government provides FAG funding for local government in accordance with the Australian Government's *Local Government (Financial Assistance) Act 1995* (the Australian Government Act). The FAG funding is provided to Council for general purpose use and the provision of local roads and bridges.

Since the 2011-12 financial year the Australian Government has been making advance FAG funding payments of the two quarterly instalments for the following year. In accordance with AASB1004 *Contributions*, Council recognises the FAG funding as revenue when the funds are received and control is obtained. In May 2020 Council received an advance FAG funding payment for the 2020-21 financial year of \$1.257m. The effects of the early receipt of instalments each year has resulted in FAG funding being above the budget in 2018-19 by \$1.097m and 2019-20 by \$1.257m. This has impacted the Statement of Comprehensive Income resulting in the surplus/(deficit) being higher in both years by these amounts. With fewer instalments due to be received in 2020-21, the reverse effect may occur, however future payments remain at the Australian Government's discretion.

(iii) Contributions - cash

Contributions – cash income was above budget by \$71k (236%) for the 2019-20 financial year. Contributions – cash income relates to public open space and traffic management treatment contributions, as well as other sundry cash contributions. Development activity in the Sorell municipality was greater than expected in the 2019-20 financial year, due to continued population growth within the municipality. This resulted in contributions – cash income being above budget.

(iv) Investment revenue from Water Corporation

Investment revenue from Water Corporation was below budget by \$162k (50%) for the 2019-20 financial year. Council expected to receive \$324k in investment income from TasWater during the 2019-20 financial year. In December 2019 Council received \$26k relating to the 2018-19 final wash up tax equivalent payment and in February 2020 a \$136k 2019-20 interim dividend. However, in April 2020, TasWater announced that Council would not be receiving a final dividend for the 2019-20 financial year due to COVID-19 remissions and as a result investment revenue from Water Corporation is below budget.

(v) Other Capital Income

All other capital income was not budgeted for in the 2019-20 financial year, due to the unpredictable nature of these income streams. This included the following capital income streams:

Contributions - non-monetary assets

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

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

Fair value adjustments for investment property

Expenses

(i) Materials and services

All expenditure categories were within 10% of budget and did not experience any material variances. An unbudgeted impairment of receivables expense of \$1k was recorded in the 2019-20 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 2020 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.



Robert Higgins
General Manager

Date: 28/09/2020

MANAGEMENT CERTIFICATION OF THE FINANCIAL REPORT

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

- Australian Accounting Standards
- 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 2020, the results of its operations and its 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.



Stephanie Gunn
Manager Finance & Information

Date: 28/09/2020



Independent Auditor's Report

To the Councillors of Sorell Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Sorell Council (Council), which comprises the statement of financial position as at 30 June 2020 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 2020 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 (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

My audit responsibility does not extend to the budget figures included in the financial report and the asset renewal funding ratio disclosed in note 10.5 to the financial report and accordingly, I express no opinion on them. Furthermore, I express no opinion on the General Manager's

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determination that Council did not have any Significant Business Activities for inclusion in the financial report as required by Section 84(2)(da) of the *Local Government Act 1993*.

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
Valuation of property and infrastructure <i>Refer to notes 6.1 and 9.10</i>	
Property and infrastructure at 30 June 2020 includes land, land under roads, buildings, roads, bridges, footpaths and cycle ways, kerb and channel, other transport infrastructure, stormwater, waste assets, land improvements and formation earthworks at fair value totalling \$253.96m. 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.	<ul style="list-style-type: none">• Assessing the scope, expertise and independence of experts involved in the valuations.• Evaluating the appropriateness of the valuation methodology applied to determine fair values.• Assessing assumptions and other key inputs in the valuation model.• Testing, on a sample basis, the mathematical accuracy of the valuation model's calculations.• Testing, on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment.• 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.• Assessing the adequacy of relevant disclosures in the financial report.
Land, land under roads, buildings, roads, bridges, footpaths and cycle ways, kerb and channels and other transport infrastructure assets were all subject to valuation in 2019-20. The valuations are highly dependent upon a range of assumptions and estimated unit rates.	
Capital payments in 2019-20 totalled \$6.44m 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.	

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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

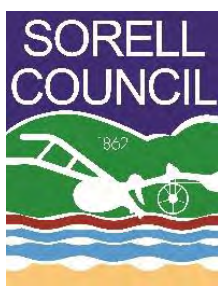
Tasmanian Audit Office

29 October 2020
 Hobart

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