

Devonport City Council

**ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2021**

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Statement of Comprehensive Income

For the Year Ended 30 June 2021

	Note	Budget 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000
Income from continuing operations				
Recurrent income				
Rates and service charges	4	29,115	29,064	28,907
Fees and charges	5	4,440	5,505	5,460
Grants	6	2,517	2,914	2,372
Contributions - cash	7	18	4	24
Investment revenue from Water Corporation	8	0	546	546
Other investment revenue	9	248	555	852
Share of profit of associates accounted for by the equity method	23	660	1,229	1,146
Other income	10	483	1,221	1,137
Total recurrent income		37,481	41,038	40,444
Capital items				
Capital grants received specifically for new or upgraded assets	6	10,248	9,277	2,505
Contributions - non-monetary assets	7	0	5,352	8
Contributions - cash	7	0	0	0
Net loss on the disposal of property, infrastructure, plant and equipment	16	(817)	(458)	(626)
Capital works completed on assets not owned by Council	17	0	(61)	(93)
Donated or derecogised assets	18	0	(942)	(1,320)
Total capital items		9,431	13,168	474
Total income from continuing operations		46,912	54,206	40,918
Expenses from continuing operations				
Employee benefits	11	12,231	12,307	12,506
Materials and services	12	14,683	14,785	15,232
Depreciation and amortisation	13	9,825	10,284	10,624
Finance costs	14	1,542	724	2,054
Other expenses	15	1,401	938	1,339
Total expenses from continuing operations		39,682	39,038	41,755
Result from continuing operations		7,230	15,168	(837)
Net result for the year		7,230	15,168	(837)
Other comprehensive income				
<i>Items that will not be reclassified to surplus or deficit</i>				
Fair value adjustments on equity investment assets	22	0	6,179	(23,239)
Net asset revaluation increment / (decrement) - Council	33	0	18,793	33,537
Net asset revaluation increment / (decrement) - Associates	23	0	39	72
Total other comprehensive income		0	25,011	10,370
Total comprehensive result		7,230	40,179	9,533

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

Statement of Financial Position as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current Assets			
Cash and cash equivalents	19	13,720	13,730
Trade and other receivables	20	4,407	2,358
Other assets	21	219	200
Available for sale assets	24.1	897	513
Total current assets		19,243	16,801
Non-Current Assets			
Trade and other receivables	20	337	364
Other assets	21	0	0
Investment in Water Corporation	22	82,968	76,789
Investments in associates	23	9,172	8,191
Property, infrastructure, plant and equipment	24	535,093	513,904
Right-of-use assets	25	756	812
Capital work in progress	26	14,521	9,895
Total non-current assets		642,847	609,955
TOTAL ASSETS		662,090	626,756
Current Liabilities			
Trade and other payables	27	3,931	3,499
Interest bearing liabilities	28	1,073	1,804
Provisions	30	2,471	2,244
Lease liabilities	31	26	52
Contract liabilities	32	1,358	1,806
Total current liabilities		8,859	9,405
Non-Current Liabilities			
Interest bearing liabilities	28	46,863	48,213
Other Financial Liabilities	29	0	2,882
Provisions	30	283	325
Lease liabilities	31	736	761
Total non-current liabilities		47,882	52,181
TOTAL LIABILITIES		56,741	61,586
NET ASSETS		605,349	565,170
Equity			
Asset revaluation reserve - Council	33	371,188	352,395
Asset revaluation reserve - Associates	33	1,700	1,661
Other reserves	34	6,571	392
Accumulated surplus	33	225,890	210,722
TOTAL EQUITY		605,349	565,170

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

Statement in Changes of Equity

For the Year Ended 30 June 2021

2021					
	Asset Revaluation Reserve - Council Note 33 (i) \$'000	Asset Revaluation Reserve - Associate Note 33 (ii) \$'000	Accumulated Surplus Note 33 (iii) \$'000	Other Reserves Note 34 \$'000	Total \$'000
Balance at beginning of year	352,395	1,661	210,722	392	565,170
Net result for the year	0	0	15,168	0	15,168
Other comprehensive income	18,793	39	0	6,179	25,011
Balance at end of year	371,188	1,700	225,890	6,571	605,349

2020					
	Asset Revaluation Reserve - Council Note 33 (i) \$'000	Asset Revaluation Reserve - Associate Note 33 (ii) \$'000	Accumulated Surplus Note 33 (iii) \$'000	Other Reserves Note 34 \$'000	Total \$'000
Balance at beginning of year	318,858	1,589	211,559	23,631	555,637
Net result for the year	0	0	(837)	0	(837)
Other comprehensive income	33,537	72	0	(23,239)	10,370
Balance at end of year	352,395	1,661	210,722	392	565,170

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities :			
Rates and other user charges (inclusive of GST)		32,666	33,454
Net GST refund/(payment)		1,835	1,215
Interest received		143	366
Contributions - cash		4	24
Government grants and subsidies		2,890	2,464
Other receipts		1,142	1,132
Payments to suppliers and employees (inclusive of GST)		(27,676)	(29,648)
Refinance Costs		0	0
Other payments		(786)	(875)
Net cash flows provided by operating activities	39	10,218	8,132
Cash flows from investing activities :			
Payments for non current assets		(15,263)	(13,662)
Proceeds from sale of non current assets		638	1,514
Capital grants		8,853	4,219
Investment revenue from Water Corporation		546	546
Distribution from Associate		287	261
Other investments		424	642
Finance costs paid		(3,606)	(1,671)
Loans to community organisations		25	(361)
Net cash used in investing activities		(8,096)	(8,512)
Cash Flows from financing activities :			
Proceeds from borrowings		48,200	0
Repayment of lease liabilities (principal repayments)		(51)	(52)
Repayment of borrowings		(50,281)	(1,804)
Net cash used in financing activities		(2,132)	(1,856)
Net increase/(decrease) in cash and cash equivalents		(10)	(2,236)
Cash and cash equivalents at beginning of the financial year		13,730	15,966
Cash and cash equivalents at end of the financial year	19	13,720	13,730

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

Reporting Entity

- (a) The Devonport City Council was established in 1908 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 137 Rooke Street, Devonport.
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
 - represent and promote the interests of the community;
 - provide for the peace, order and good government in the municipality.

1 Statement of accounting policies

(a) Basis of accounting

These financial statements are a general purpose financial report that consists of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes. The general purpose financial report complies with Australian Accounting Standards 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.

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

This financial report has been prepared on an accrual and going concern basis. This financial report has been prepared under the historical cost convention, except where specifically stated.

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. Where relevant, all transactions between these entities and Council have been eliminated in full.

(b) 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 31.

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 35.

1 Statement of accounting policies (continued)

Fair Value of Property Plant & Equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in Note 1(g) and Notes 24 and 45.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 22.

(c) Adoption of new and amended accounting standards

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

(i) AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101 and are applicable for the year ended 30 June 2021. The amendments clarify the definition of material and includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

The adoption of the amendment has not had any significant impact on Council.

(d) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 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 - Effect Date of Amendments to AASB 10 and AASB 128 and Editorial Correction, applicable to annual reporting periods beginning on or after 1 January 2022.

These amendments address and acknowledge inconsistency between the requirements of AASB 10 and those in AASB 128 (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's investment in Dulverton Regional Waste Management Authority (DRWMA) is classified as an investment in an associate. As Council does not anticipate making a sale or contribution of assets to DRWMA the amendments to this standard are not expected to have any impact.

All other Australian accounting standards and interpretations with future effective dates are not applicable to Council's activities.

1 Statement of accounting policies (continued)

(e) 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 12 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.

(f) 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 net basis.

(g) 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 Profit or Loss and 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.

(h) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

1 Statement of accounting policies (continued)

(i) Change in accounting standards

During the year Council voluntarily changed the valuation methodology for one building asset. The operation and management of the asset changed during the year, resulting in Council acting as purely a landlord with commercial leases in place for all except one of the tenancies at 30 June. Council determined to value this building using the same methodology as for other commercial buildings, that is, by adopting the valuation supplied by the office of the Valuer-General. In the past the building had been valued by using the indexed construction cost as construction of the building was completed in 2018. Council determined that the change in valuation methodology ensured consistency with other commercial buildings where Council has a landlord/tenant relationship and where the building has a market value in an open and active market.

The change in valuation impacted on the carrying value of the asset and subsequent depreciation expense. The adjustment was processed in the 2021 year and no prior period adjustment has been made. The impact of the revaluation is reflected in the Asset Revaluation Reserve. The financial impact on the Balance Sheet is shown below:

	\$'000
Prior to change	
Buildings valued at indexed construction cost	9,291
Accumulated depreciation	844
Written down value and Fair Value	<u><u>8,447</u></u>
After change	
Buildings valued at Valuer-General market value	3,560
Accumulated depreciation	326
Written down value and Fair Value	<u><u>3,234</u></u>
Net adjustment	<u><u>5,213</u></u>
Adjustment to annual depreciation expense	<u><u>226</u></u>

2 Functions / activities

(a) Council's functions and activities

Revenue, expenses and assets have been attributed to the following functions :

Programs	Revenue		Expenses	Surplus/(deficit) for Year	Assets
	Grants	Other			
	2021 \$'000	2021 \$'000			
Corporate	2,759	28,530	7,984	23,305	73,895
Community, Cultural & Recreation	149	86	7,616	(7,381)	22,761
Parking	0	2,530	1,948	582	20,225
Economic Development	5,180	1	746	4,435	11,688
Roads	1,083	3,273	7,965	(3,609)	141,905
Stormwater	0	1,721	2,207	(486)	88,780
Waste Management	16	4,847	4,738	125	2,331
Parks & Gardens	2,952	232	3,943	(759)	213,223
Buildings	4	0	432	(428)	83,257
Infrastructure Administration	48	86	(28)	162	3,938
Regulatory Services	0	709	1,487	(778)	87
TOTAL	12,191	42,015	39,038	15,168	662,090

2020

Programs	Revenue		Expenses	Surplus/(deficit) for Year	Assets
	Grants	Other			
	2020 \$'000	2020 \$'000			
Corporate	2,221	27,531	9,822	19,930	67,703
Community, Cultural & Recreation	173	1,397	8,219	(6,649)	24,462
Parking	0	2,410	2,024	386	22,269
Economic Development	0	57	781	(724)	11,651
Roads	2,350	(361)	7,409	(5,420)	137,566
Stormwater	0	(507)	2,144	(2,651)	85,156
Waste Management	0	4,685	4,747	(62)	2,528
Parks & Gardens	133	89	4,617	(4,395)	183,681
Buildings	0	(72)	360	(432)	87,333
Infrastructure Administration	0	124	80	44	4,297
Regulatory Services	0	688	1,552	(864)	110
TOTAL	4,877	36,041	41,755	(837)	626,756

(b) Reconciliation of Assets from note 2 with the Statement of Financial Position at 30 June:

	2021 \$'000	2020 \$'000
Current assets	19,243	16,801
Non-current assets	642,847	609,955
	662,090	626,756

2 Functions / activities continued

(c) - Council's programs and activities

The activities relating to the Programs in Note 2 (a) are as follows

CORPORATE

This Program includes the following activities

Executive Management
Receptions & Functions
Communication
Emergency Management
Corporate Services
Governance
Property Management
Customer Services
Records Management
Elected Members Support
Human Resource Management
Payroll Services
Information Technology
Accounting & Finance
Corporate Revenue

COMMUNITY, CULTURAL AND RECREATION

This Program includes the following activities

Community Development
Community Financial Assistance
paranaple Arts Centre
paranaple Convention Centre
Recreational Development
Devonport Aquatic Centre
Devonport Recreation Centre
East Devonport Recreation Centre
Marketing & Events
Bass Strait Maritime Centre
Home Hill

ECONOMIC DEVELOPMENT

This Program includes the following activities

LIVING CITY Project
Economic Development

PARKING

Parking

ROADS

This Program includes the following activities

Roads Maintenance

STORMWATER

This Program includes the following activities

Stormwater Maintenance

WASTE MANAGEMENT

This Program includes the following activities

Waste Management Operations

PARKS & GARDENS

This Program includes the following activities

Parks & Open Space Maintenance
Cemetery Operations

BUILDINGS

This Program includes the following activities

Building Maintenance

INFRASTRUCTURE ADMINISTRATION

This Program includes the following activities

Project Management
Engineering Services
Plant Services

REGULATORY SERVICES

This Program includes the following activities

Town Planning & Development
Building Surveying Services
Plumbing Assessment & Inspections
Environmental Health Services
Animal Control
Emergency Management

3 Significant business activities

The operating capital and competitive neutrality costs of the Council's significant business activities:

	2021		
	Parking	Waste Management	paranaple Arts Centre and Convention Centre*
	\$'000	\$'000	\$'000
Operating Statement			
Revenue			
Fees and charges	1,736	4,728	456
Other	794	119	60
Grants and contributions	0	0	78
Total revenue	2,530	4,847	594
Expenses - Direct			
Employee costs	330	594	1,134
Materials and services	760	4,091	707
Levies and taxes	241	3	79
Total expenses (before depreciation)	1,331	4,688	1,920
Capital costs			
Depreciation expense	320	49	780
Opportunity cost of capital	620	71	579
(Gain) / loss on sale of non-current assets	2	0	0
	942	120	1,359
Calculated surplus / (deficit)	257	39	(2,685)
Income Tax Equivalent Rate 30%			
Income tax equivalent	77	12	0
Total fully attributed costs	2,350	4,820	3,279

3 Significant business activities (cont.)

Operating Statement

Revenue

Fees and charges
Other
Grants and contributions

Total revenue

Expenses - Direct

Employee costs
Materials and services
Levies and taxes
Total expenses (before depreciation)

Capital costs

Depreciation expense
Opportunity cost of capital 3.37%
(Gain) / loss on sale of non-current assets

Calculated surplus / (deficit)

Total fully attributed costs

Accounting policy

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality, that Parking, Waste Management, the paranapple Art Centre and the paranapple Convention Centre are considered significant business activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees. In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

- the opportunity cost of capital is calculated at 2.92% (2019/20 3.39%) of assets; and
- income tax equivalents are calculated using the company tax rate

	2020		
	Parking	Waste Management	paranapple Arts Centre and Convention Centre
	\$'000	\$'000	\$'000
Revenue			
Fees and charges	1,467	4,597	630
Other	575	88	75
Grants and contributions	0	0	92
Total revenue	2,042	4,685	797
Expenses - Direct			
Employee costs	278	605	1,155
Materials and services	818	4,087	1,271
Levies and taxes	265	3	62
Total expenses (before depreciation)	1,361	4,695	2,488
Capital costs			
Depreciation expense	324	52	1,064
Opportunity cost of capital 3.37%	758	69	683
(Gain) / loss on sale of non-current assets	(367)	0	0
	715	121	1,747
Calculated surplus / (deficit)	(34)	(131)	(3,438)
Total fully attributed costs	2,076	4,816	4,235

4 Rates and service charges

Council uses Assessed Annual Value (AAV) as the basis of valuation, for rating purposes, of all properties within the municipal area. AAV is an assessment of the indicative rental value of a property for a 12 month period or a 4% minimum of capital value, at a specific date and in accordance with legislation. The Valuer-General determines the AAV under the *Valuation of Land Act 2001*.

	2021	2020
	\$'000	\$'000
General rates	22,008	21,902
Penalty income from overdue rates and charges	110	93
Waste management rates & charges	4,007	3,939
Fire Service Levy	2,939	2,973
	<hr/>	<hr/>
Total rates and service charges	<u>29,064</u>	<u>28,907</u>

The date of the last general revaluation of land for rating purposes within the municipal area was 1 July 2014, and this valuation was first applied in the rating year commencing 1 July 2015. The 6 yearly cyclical revaluation that was to be undertaken in 2021 was rescheduled due to COVID-19 and will now take place in 2022.

Accounting Policy

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.

	2021 \$'000	2020 \$'000
5 Fees and charges		
Admission charges	16	96
Animal registrations	86	90
Cemetery fees	207	194
Certificate charges	205	183
Development fees	459	400
Equipment hire fees	33	39
Facility hire	344	337
Fines	593	388
Licences	26	72
Parking fees	1,736	1,467
Property leases & rental	716	955
Sales of goods	364	581
Waste management fees	720	658
	<hr/>	<hr/>
Total fees and charges	5,505	5,460
	<hr/> <hr/>	<hr/> <hr/>

Refer to Note 43 for the aging analysis of contractual receivables.

Accounting Policy

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.

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

	2021 \$'000	2020 \$'000
6 Grants		
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	1,355	1,021
Commonwealth Government Financial Assistance Grants - Roads	1,325	1,098
Arts	78	92
Community projects	62	82
Roads	94	79
Total recurrent grants	2,914	2,372
Capital grants received specifically for new or upgraded assets		
Roads to Recovery	505	507
Black Spot Program	0	1,198
Community Projects	97	133
State Government - Road Projects	207	232
State Government - Bus Stop Infrastructure	237	430
Federal Government - Local Roads and Community Infrastructure Projects	495	0
Federal Government - Drought Communities Projects	518	0
Electric Vehicle Charging Station	40	5
Urban Renewal - 'LIVING CITY' Project	5,000	0
Sports Infrastructure	2,178	0
Total capital grants	9,277	2,505
Total grants	12,191	4,877

6 Grants (continued)

2021
\$'000

2020
\$'000

Unspent grants and contributions

Grants and contributions which were obtained on the condition that they be spent for specified purposes or in a future period, but which are not yet spent in accordance with those conditions, are as follows:

Operating

Balance of unspent funds at 1 July	64	0
Add: Funds received and not recognised as revenue in the current year	29	64
Less: Funds received in prior year but revenue recognised and funds spent in current year	(25)	
Balance of unspent funds at 30 June	<u>68</u>	<u>64</u>

Capital

Balance of unspent funds at 1 July	1,718	0
Add: Funds received and not recognised as revenue in the current year	684	1,718
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,112)	0
Balance of unspent funds at 30 June	<u>1,290</u>	<u>1,718</u>

Total unspent funds

	<u><u>1,358</u></u>	<u><u>1,782</u></u>
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Accounting Policy

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 improvements to existing infrastructure to cater for additional female sporting participants under the 'Level the Playing Field' funding initiative, construction of bus shelters, arts programs and community events.

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.

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), a contract liability is recognised for the excess of the fair value of the transfer over any related amounts recognised and revenue as the unspent funds are expended at the point in time at which required performance obligations are completed.

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 acquisition of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

In both years the Commonwealth has made early payment of the first two quarterly instalments of untied Financial Assistance Grants for the following year.

	2021 \$'000	2020 \$'000
7 Contributions		
Cash		
Training contributions	8	18
Sundry	0	6
Developer Contribution	(4)	0
Total	<u>4</u>	<u>24</u>
Non- monetary assets		
Parks and Open Space	19	0
Roads	3,542	0
Stormwater	1,791	8
Total	<u>5,352</u>	<u>8</u>

Accounting Policy

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

	2021 \$'000	2020 \$'000
8 Investment revenue from Water Corporation		
Dividend revenue	546	458
Tax equivalent payment received	<u>0</u>	<u>88</u>
Total investment revenue from TasWater	<u>546</u>	<u>546</u>

Accounting Policy

Dividend revenue is recognised when Council's right to receive payment is established and it can be reliably measured.

9 Other investment revenue

Interest received from investments	100	321
Tax equivalent payment received	<u>455</u>	<u>531</u>
Total other investment revenue	<u>555</u>	<u>852</u>

Accounting Policy

Interest is recognised progressively as it is earned.

Tax equivalent revenue is recognised when Council's right to receive payment is established and it can be reliably measured.

10 Other income

Commission	156	176
Recoverables	563	409
Miscellaneous	<u>502</u>	<u>552</u>
Total Other revenue	<u>1,221</u>	<u>1,137</u>

Accounting Policy

Other income is recognised progressively as it is earned.

Income treated as other income includes recovered utility charges and insurance claim refunds.

	2021 \$'000	2020 \$'000
11 Employee benefits		
Total wages and salaries	9,301	9,580
Annual and long service leave entitlements	1,153	1,106
Superannuation (Note 35)	1,234	1,279
Workers compensation and payroll tax	919	889
	<u>12,607</u>	<u>12,854</u>
Other employee related expenses	144	160
	<u>12,751</u>	<u>13,014</u>
Less amounts capitalised	(444)	(508)
	<u><u>12,307</u></u>	<u><u>12,506</u></u>

Accounting Policy

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.

12 Materials and services

Advertising, printing & other office costs	130	198
Computer services and maintenance	739	686
Consultants	215	208
Contractors	5,425	5,511
General - services & materials	1,234	1,393
Low-value leases	95	89
Insurance	366	325
Levies & taxes	3,771	3,824
Memberships - organisations	259	285
Plant expenses	450	591
Professional services	105	216
Telephone & postage services	173	157
Utilities	1,823	1,749
	<u><u>14,785</u></u>	<u><u>15,232</u></u>

Accounting Policy

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.

2021
\$'000

2020
\$'000

13 Depreciation

Property, infrastructure, plant and equipment

Parks and open space	708	742
Buildings	2,718	2,975
Plant	592	574
Furniture and fittings	456	708
Roads	4,234	4,200
Stormwater	1,510	1,358
Cultural and heritage	10	14
	<u>10,228</u>	<u>10,571</u>

Right-of-use assets

Right-of-use assets	<u>56</u>	<u>53</u>
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Total depreciation and amortisation

	<u><u>10,284</u></u>	<u><u>10,624</u></u>
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Accounting Policy

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 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 and depreciation rates and methods are reviewed annually.

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

Land, artworks and road earthworks 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 otherwise stated:

	Basis of Depreciation	Useful Life
Land	Not depreciated	Unlimited life
Parks and Open Space	Straight line	2 - 100 years
Buildings	Straight line	20 - 135 years
Plant	Straight line	2 - 50 years
Furniture and Fittings	Straight line	1 - 50 years
Roads	Straight line	15 - 100 years
Stormwater	Straight line	15 - 100 years
Cultural and Heritage	Majority not depreciated	5 years - Unlimited life
Right-of-use assets	Straight line	Term of lease

	2021 \$'000	2020 \$'000
Interest - borrowings	1,423	1,663
Interest - lease liabilities	8	8
Market Value Movement in Interest Rate Swaps	(707)	383
	<u>724</u>	<u>2,054</u>

Accounting Policy

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 include interest on borrowings and leases, and movement in interest rate swaps. Council debt was refinanced in 2021 resulting in an unwinding of interest rate swap arrangements. The movement in the value of swaps has been recognised through the Statement of Comprehensive Income.

15 Other expenses

General expenses	43	423
Bank fees	75	72
Bad and doubtful debts	154	242
Councillors' remuneration	280	270
Grants and community benefits	386	332
	<u>938</u>	<u>1,339</u>

Audit fees are included in general expenses. Audit fees including travel expenses paid or payable to the Tasmanian Audit Office to audit the financial statements for 2020/21 total \$47,100 (2019/20: \$45,720). Other audit services performed were the audits relating to the grant acquittal for Roads to Recovery funding 2020/21: \$1,750 (2019/20: \$1,550).

Councillors' remuneration represents allowances payable in accordance with Section 340A of the *Local Government Act 1993*, Regulation 42 of the *Local Government (General) Regulations 2005* and Council's "Payment of Councillor' Allowances, Expenses and Provision of Facilities Policy".

Accounting Policy

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.

	2021 \$'000	2020 \$'000
16 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds from sale	638	1,514
Written down value of assets disposed	<u>(1,096)</u>	<u>(2,140)</u>
	<u>(458)</u>	<u>(626)</u>

For more information on net gain / (loss on disposal) see Note 24.

Accounting Policy

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.

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

17 Capital works completed on assets not owned by Council

Capital works on assets not owned by Council	<u>(61)</u>	<u>(93)</u>
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Capital works completed on assets not owned by Council includes works on State Government road assets such as traffic signals.

18 Donated or derecognised assets

Donated assets	(942)	0
Derecognition of assets	<u>0</u>	<u>(1,320)</u>
	<u>(942)</u>	<u>(1,320)</u>

In 2021 Council gifted the historic Julie Burgess fishing Ketch to a community organisation created to operate the vessel. The donated value of the vessel and associated assets was \$942K.

Council derecognised two parcels of Crown land relating to the Mersey Bluff Caravan Park and the Abel Tasman Caravan Park on 1 July, 2019 as the assets were restated as Right-of-use assets in accordance with AASB16. Council has long term leases over these parcels of land.

	2021 \$'000	2020 \$'000
19 Cash and cash equivalents		
Cash at bank and on hand	346	1,507
Investments	<u>13,374</u>	<u>12,223</u>
	<u>13,720</u>	<u>13,730</u>
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:		
- Unspent grant funds with conditions (Note 6)	(1,358)	(2,872)
- Leave provisions (Note 30)	(2,754)	(2,570)
- Trust funds and deposits (Note 38)	<u>(178)</u>	<u>(163)</u>
Restricted Funds	<u>(4,290)</u>	<u>(5,605)</u>
Total unrestricted cash and cash equivalents	<u>9,430</u>	<u>8,125</u>

Accounting Policy

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.

Restricted funds

- i) includes refundable deposits held in trust by Council for completion of specific purposes
- ii) represents grant funding received in advance until specific performance obligations required under funding arrangements are completed.

	2021 \$'000	2020 \$'000
20 Trade and other receivables		
(i) Current receivables		
Rates	678	602
Infringement debtors	81	68
Sundry debtors	2,959	1,294
Planning & health debtors	6	42
Provision for expected credit loss	(30)	(56)
Net GST receivable	326	90
Loans and advances	27	25
Accrued revenue	360	293
Total current receivables	<u>4,407</u>	<u>2,358</u>
(ii) Non-current receivables		
Loans and advances	337	364
Total non-current receivables	<u>337</u>	<u>364</u>
Total trade and other receivables	<u>4,744</u>	<u>2,722</u>
Reconciliation of movement in expected credit loss		
Carrying amount at 1 July	61	128
Increase/(decrease) in provision recognised in profit or loss	(31)	(67)
Carrying amount at 30 June	<u>30</u>	<u>61</u>

Accounting Policy

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

For rates 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 maintains a Sundry Debtor Management Policy which outlines the approach to debtor collection and management. Council writes off receivables after all reasonable attempts to recover the debt have been taken, there is no realistic prospect of recovery or it is uneconomic to recover the debt.

Council receives a report of Sundry Debtor balances in excess of \$200 that have been outstanding for longer than 90 days at 30 June.

	2021 \$'000	2020 \$'000
21 Other assets		
(ii) Current assets		
Prepayments	215	200
Other deposits	4	0
Total other assets	<u><u>219</u></u>	<u><u>200</u></u>

Accounting Policy

Prepayments are expenses paid in advance. The portion of the expense not consumed in the accounting period is treated as a current asset .

22 Investment in Water Corporation

Opening Balance	76,789	100,028
Fair value adjustments on equity investment assets	6,179	(23,239)
Total investment in Water Corporation	<u><u>82,968</u></u>	<u><u>76,789</u></u>

Council has derived returns from TasWater as disclosed at Note 8.

Accounting Policy

As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: *Financial Instruments* to irrevocably classify this equity investment as designated as fair value through other comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer Note 34) 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 2021, Council holds a 5.26% ownership interest in TasWater (2020, 5.32%) which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

2021
\$'000

2020
\$'000

23 Investments in associates

Investments in associates accounted for by the equity method are as follows:

Dulverton Regional Waste Management Authority	<u>9,172</u>	<u>8,191</u>
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Dulverton Regional Waste Management Authority (Dulverton)

Dulverton Regional Waste Management Authority is a Joint Authority established under the *Local Government Act 1993* (as amended). Further information is provided in Note 41.

Council's ownership interest in the Authority at 30 June 2021 was 43.45% (43.45% in 2020).

Reconciliation

Reconciliation of the carrying amount at the beginning and end of the current and previous period is set out below:

Authority's profit/(loss) before tax	3,817	3,488
Add: Prior year adjustment	4	
Less: Authority's tax expense	<u>(993)</u>	<u>(847)</u>
Authority's profit/(loss) after tax	<u>2,828</u>	<u>2,641</u>
Council's equity interest	43.45%	43.45%
Share of profit after tax	<u>1,229</u>	<u>1,146</u>

	2021 \$'000	2020 \$'000
23 Investments in associates (continued)		
Movement in carrying value of investment		
Carrying value of investment at start of year	8,191	7,234
Share of profit after tax	1,229	1,146
Dividend received	(287)	(261)
Share of asset revaluation	39	72
	<u>9,172</u>	<u>8,191</u>
Carrying value of investment at end of year	<u>9,172</u>	<u>8,191</u>

The Authority's assets, liabilities and revenue for the relevant financial years were:

Total Assets	40,022	34,948
Total Liabilities	18,912	16,097
Revenue	12,040	11,451

The investment value in Dulverton Regional Waste Management Authority recognised in the 2021 financial year is based on draft financial results, as provided to Council for inclusion in its financial report. Any final adjustments will be recognised by Council in the 2022 financial year.

Accounting Policy

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 entity. 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 entity. Council's share of the financial result of the entity is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

	2021 \$'000	2020 \$'000
24 Property, infrastructure, plant and equipment		
Summary		
at cost	15,450	15,042
Less: Accumulated depreciation	(8,649)	(8,132)
	6,801	6,910
at fair value as at 30 June	845,992	809,075
Less: Accumulated depreciation	(317,701)	(302,081)
	528,291	506,994
Total	535,092	513,904
(a) (i) Land		
at fair value	179,335	166,664
Freehold land is comprised of the following :		
Parks, Reserves & General land	76,928	71,492
Other land (including under infrastructure)	102,408	95,172
	179,336	166,664
(ii) Parks and open space		
at fair value	43,571	27,549
Less : Accumulated depreciation on improvements	(17,831)	(11,595)
	25,740	15,954
(iii) Buildings		
at fair value	143,805	147,561
Less: Accumulated depreciation	(50,866)	(48,744)
	92,939	98,817
(iv) Plant		
at cost	8,151	8,095
Less: Accumulated depreciation	(4,857)	(4,453)
	3,294	3,642
(v) Furniture and fittings		
at cost	7,299	6,947
Less: Accumulated depreciation	(3,792)	(3,679)
	3,507	3,268
(vi) Total cultural and heritage assets		
at fair value	3,326	5,212
Less: Accumulated depreciation	(10)	(195)
	3,316	5,017

	2021 \$'000	2020 \$'000
24 Property, infrastructure, plant and equipment (continued)		
(vii) Total infrastructure assets		
at fair value	475,955	462,089
Less: Accumulated depreciation	<u>(248,994)</u>	<u>(241,547)</u>
	<u>226,961</u>	<u>220,542</u>
Infrastructure assets comprise:		
Roads	139,069	135,405
Stormwater	<u>87,892</u>	<u>85,137</u>
	<u>226,961</u>	<u>220,542</u>
Total net value of non current assets	<u>535,093</u>	<u>513,904</u>

Information relating to the determination of Fair Value for each relevant asset class is included at Note 45.

24 Property, Infrastructure plant and equipment (continued)

Reconciliation of property, infrastructure, plant and equipment

For the Year Ended 30 June 2021	Balance at beginning of financial year	Acquisition of assets and Contributions	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Available for sale assets	Transfers	Balance at end of financial year
	\$'000	\$'000	Note 33 \$'000	Note 13 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Property, infrastructure, plant and equipment</i>									
Land	166,664	48	13,463	-	(234)	-	(605)	-	179,336
Parks and Open Space	15,954	2,314	8,104	(708)	(41)	-	-	117	25,740
Buildings	98,817	2,079	(5,192)	(2,718)	(364)	-	317	-	92,939
Plant	3,642	338	-	(592)	(94)	-	-	-	3,294
Furniture and Fittings	3,268	702	-	(456)	(8)	-	(1)	2	3,507
Roads	135,405	6,478	1,800	(4,234)	(285)	-	(95)	-	139,069
Stormwater	85,137	3,060	1,275	(1,510)	(70)	-	-	-	87,892
Cultural and Heritage	5,017	27	(657)	(10)	(942)	-	-	(119)	3,316
Total	513,904	15,046	18,793	(10,228)	(2,038)	-	(384)	-	535,093

24 Property, Infrastructure plant and equipment (continued)

Reconciliation of property, infrastructure, plant and equipment

For the Year Ended 30 June 2020	Balance at beginning of financial year	Acquisition of assets and Contributions	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Available for sale assets	Transfers	Balance at end of financial year
	\$'000	\$'000	Note 33 \$'000	Note 13 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment									
Land	147,090	1,047	20,155	-	(2,164)	-	824	(288)	166,664
Parks and Open Space	15,010	1,131	437	(742)	117	-	-	1	15,954
Buildings	94,617	5,700	2,206	(2,975)	(1,018)	-	-	287	98,817
Plant	3,060	1,284	-	(574)	(128)	-	-	-	3,642
Furniture and Fittings	3,216	189	-	(708)	573	-	-	(2)	3,268
Roads	131,910	4,753	3,349	(4,200)	(406)	-	-	(1)	135,405
Stormwater	77,687	1,529	7,714	(1,358)	(434)	-	-	(1)	85,137
Cultural and Heritage	5,353	-	(324)	(14)	-	-	-	2	5,017
Total	477,943	15,633	33,537	(10,571)	(3,460)	-	824	(2)	513,904

24 Property, infrastructure, plant and equipment (continued)

Accounting Policy

Acquisition and Recognition

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.

Assets acquired as part of the LIVING CITY project have been accounted for under AASB 116 *Property, Plant and Equipment* and not AASB 140 *Investment Property*. AASB 140 allows not for profit organisations to account for assets purchased for strategic purposes under AASB 116.

Property, infrastructure, land and equipment 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.

The asset capitalisation threshold adopted by Council varies by class, as detailed below. Assets valued at less than the specified threshold are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

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

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

	<u>Threshold (\$)</u>
Land	NA
Parks and Open Space	2,000
Buildings	5,000
Plant	1,000
Furniture and Fittings	1,000
Cultural and Heritage	NA
Infrastructure Assets	
- Roads	5,000
- Stormwater	2,000

24 Property, infrastructure, plant and equipment (continued)

Revaluation

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

Land	fair value
Parks and Open Space	fair value
Buildings	fair value
Plant	cost
Furniture and Fittings	cost
Cultural and Heritage	fair value
Roads	fair value
Stormwater	fair value

Subsequent to the initial recognition of assets, non-current physical assets, other than plant, equipment and office furniture, 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.

Recognition and measurement of assets

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. Further details regarding the fair value hierarchy are disclosed at Note 45.

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 reserve 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.

The Devonport Regional Gallery art collection and public art has been independently valued as at 30 June 2021 by Ross Searle, Heritage, Museums and Galleries Consultant with assistance from recognised expert Rohan Sulich. Ross Searle is an approved valuer under the Commonwealths Cultural Gifts Program and has extensive experience in valuing cultural assets in the local government and university sectors. Rohan Sulich until 2019 was the head of Christies Australia and is a recognised expert in the decorative arts field.

	2021 \$'000	2020 \$'000
24.1 Assets held for sale		
Opening balance	513	1,337
Internal transfer from assets held for sale	(513)	(824)
Internal transfers to assets held for sale	897	
	<u>384</u>	<u>(824)</u>
Closing balance	<u>897</u>	<u>513</u>
Assets held for sale		
Land	1,226	195
Buildings	0	317
Furniture & Fittings	2	1
Roads	95	0
	<u>1,323</u>	<u>513</u>
Impairment adjustment	(426)	0
Closing balance	<u>897</u>	<u>513</u>

Council has determined that it will sell the following properties:

Land located at 16-20 Edwards St

Land located at 29 Fenton Way

Expressions of interest have been sought and the properties are expected to be sold within one year. The land is valued at the lower of carrying value and fair value less cost to sell.

Accounting policy

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.

	2021 \$'000	2020 \$'000
25 Right-of-use assets		
	Property	
Opening Balance at 1 July	812	0
Additions	0	865
Depreciation expense	(56)	(53)
Balance at 30 June	<u>756</u>	<u>812</u>

25 Right-of-use assets (continued)

Accounting policy

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 31 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 24. 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 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.

	2021	2020
	\$'000	\$'000
26 Capital work in progress - at cost		
Parks and Open Space	8,147	6,893
Buildings	2,006	167
Plant	365	46
Furniture and Fittings	279	609
Roads	2,836	2,161
Stormwater	888	19
	<u>14,521</u>	<u>9,895</u>

Accounting Policy

Capital work in progress is accounted for at cost until projects are completed.

27 Trade and other payables

Trade creditors & accruals	3,196	2,868
Rates and charges in advance	557	468
Trust funds	178	163
	<u>3,931</u>	<u>3,499</u>

Accounting policy

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. Further information on Trust Funds are disclosed in Note 38.

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.

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

	2021 \$'000	2020 \$'000
28 Interest bearing liabilities		
Current		
Borrowings - secured	1,073	1,804
Non-current		
Borrowings - secured	46,863	48,213
	47,936	50,017
Loan Movements		
Opening balance	50,017	51,821
Loans raised	48,200	0
Repayments	(50,281)	(1,804)
Book value at period end	47,936	50,017
The maturity profile for Council's borrowings is:		
Not later than one year	1,073	1,804
Later than one year and not later than five years	15,868	48,213
Later than five years	30,995	0
	47,936	50,017

Council refinanced its borrowings in 2021 to take advantage of lower interest rates and achieve repayment certainty over the medium and longer term. Loans as at 30 June 2021 include a variable rate loan of \$11.6M, a fixed interest loan of \$21.3M that matures in 2026 and a fixed interest loan of \$14.9M that matures in 2041 with a residual balance of \$6.7M.

Accounting Policy

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 Profit or Loss and 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.

	2021 \$'000	2020 \$'000
29 Other Financial Liabilities		
Derivative Financial Instruments	0	2,882

Accounting Policy

In 2021 Council refinanced its borrowings which included exiting interest rate swaps that were entered into to hedge against adverse changes in interest rates over time. Council has recognised the movements in the swaps through the Statement of Comprehensive Income. The impact on expenses is disclosed at Note 14.

	2021 \$'000	2020 \$'000
30 Provisions		
Current		
Employee entitlements:		
Annual leave and other leave	1,252	1,096
Long service leave	1,219	1,148
	<u>2,471</u>	<u>2,244</u>
Non-current		
Employee entitlements:		
Long service leave	283	325
	<u>283</u>	<u>325</u>
Total provisions	<u>2,754</u>	<u>2,569</u>

Included in the above employee entitlements balances is an allowance for on costs amounting to \$191,282 (2020: \$178,444)

As at 30 June 2021, Devonport City Council had 141 full time equivalent employees (146 for 2020).

Accounting Policy

Short term employee benefit obligations

Liabilities for wages and salaries, rostered days off, annual leave and long service 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, including appropriate on costs such as workers compensation and payroll costs. The liabilities for annual leave and long service leave are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long term employee benefit obligations

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

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

Sick leave

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

	2021 \$'000	2020 \$'000
Current	26	52
Non current	736	761
Lease liability	761	813

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

As at 30 June 2021	Minimum lease payments due						Total \$'000
	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	more than 5 years \$'000	
Lease payments	33	33	33	33	33	699	864
Finance charges	(7)	(7)	(7)	(7)	(7)	(68)	(103)
Net present value	26	26	26	26	26	631	761
As at 30 June 2020							
Lease payments	59	33	33	33	33	732	923
Finance charges	(7)	(7)	(7)	(7)	(7)	(75)	(110)
Net present value	52	26	26	26	26	657	813

Accounting policy

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 lease/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.

Short term leases and leases of low-value assets

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases i.e., leases of low-value assets when the value of the leased asset when new is \$10,000 or less. Council recognises the lease payments associated with these leases as expense on a straight-line basis over the lease of the term.

	2021 \$'000	2020 \$'000
32 Contract liabilities		
Current		
Funds received to acquire or construct an asset controlled by Council	1,290	1,714
Funds received prior to performance obligation being satisfied (Upfront payments)	<u>68</u>	<u>92</u>
Total contract liabilities	<u>1,358</u>	<u>1,806</u>

Accounting Policy

Council recognised the following contact liabilities with customers:

i) Grants received in advance includes funding for the construction of improvements to existing sporting facilities to accommodate the increased number of female participants. 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.

ii) Upfront payments of funds from contracts with customers are recognised as a contract liability until performance obligations are satisfied. Revenue is recognised as performance obligations are progressively fulfilled.

33 Capital and revenue reserves

(i) Asset revaluation reserve - Council

Movements in the asset revaluation reserve were as follows:

Balance at the beginning of year	352,395	318,858
Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value:		
Land	13,463	20,155
Parks & Open Space	8,104	437
Buildings	(5,192)	2,206
Roads	1,800	3,349
Stormwater	1,275	7,714
Cultural & Heritage	<u>(657)</u>	<u>(324)</u>
	<u>18,793</u>	<u>33,537</u>
Balance at end of year	<u>371,188</u>	<u>352,395</u>

	2021 \$'000	2020 \$'000
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33 Capital and revenue reserves (continued)

(ii) Asset revaluation reserve - Associate

Movements in the Asset Revaluation Reserve - Associate were as follows:

Balance at the beginning of year	1,661	1,589
Share of asset revaluation movement - Associate (Note 23)	<u>39</u>	<u>72</u>
Balance at end of year	<u>1,700</u>	<u>1,661</u>

(iii) Accumulated surplus

Movements in the Accumulated surplus as follows:

Balance at beginning of year	210,722	211,559
Surplus / (Deficit)	<u>15,168</u>	<u>(837)</u>
Balance at end of year	<u>225,890</u>	<u>210,722</u>

Accounting Policy

Asset revaluation reserve

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

Council's fair value adjustment on equity investment assets represents the share in the equity movement of Dulverton Waste Management.

Accumulated surplus

This represents that part of the Council's net wealth which would not be required to meet immediate requirements or to meet specific future needs. The balance on this account at the end of each financial year shows the amount available to be offset against expenditure in the following year or, if a deficit, the additional amount of revenue needed to be raised in the following year.

34 Other reserves

(a) Fair value reserve

Equity Investment assets

Balance B/Fwd	392	23,631
Fair value adjustment on equity investment assets (Note 22)	<u>6,179</u>	<u>(23,239)</u>
Balance as at 30 June	<u>6,571</u>	<u>392</u>

Accounting Policy

Council is required to designate its investment in the Water Corporation 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'.

35 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub-fund of the Tasplan Superannuation Fund up to 31 March 2021. On 1 April 2021, the Tasplan Superannuation Fund merged (via a Successor Fund Transfer) into the MTAA Superannuation Fund to become Spirit Super. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 *Employee Benefits*, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2021 the Council contributed 0% 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 2020. The review disclosed that at that time the net market value of assets available for funding member benefits was \$51,939,000, the value of vested benefits was \$43,411,000, the surplus over vested benefits was \$8,528,000, the value of total accrued benefits was \$43,562,000, and the number of members was 95. 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	3.5% p.a.
Salary Inflation	2.75% pa
Price Inflation	n/a

The actuarial review concluded that:

1. 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 2020.
2. 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 2020.
3. 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 2020.

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 2021 to 30 June 2024.

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 2023 and is expected to be completed late in 2023.

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

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

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

The 2020 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 2017.

35 Superannuation (continued)

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 \$0 (2019-20, \$0), and the amount paid to accumulation schemes was \$1,234,361 (2019-20, \$1,279,469).

During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$0, and the amount expected to be paid to accumulation schemes is \$1,374,098 (2019-20, \$1,277,962).

As reported above, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2020. 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 2023.

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 2020, showed that the Fund had assets of \$51.94 million and members' Vested Benefits were \$43.41 million. These amounts represented 0.53% and 0.45% respectively of the corresponding total amounts for Tasplan.

As at 30 June 2020 the Fund had 95 members and the total employer contributions and member contributions for the year ending 30 June 2020 were \$927,231 and \$235,365 respectively.

	2021 \$'000	2020 \$'000
35 Superannuation (continued)		
Employer contributions to: Accumulation Schemes	1,234	1,279
	<u>1,234</u>	<u>1,279</u>

36 Commitments

Expenditure contracted as at 30 June, but not recognised in the financial report as liabilities. This note is for information only.

Purchase commitments for material supplies & equipment	<u>9,291</u>	<u>13,397</u>
Commitments are payable as follows :		
Not later than 1 year	9,291	8,576
Later than 1 year but not later than 2 years	<u>0</u>	<u>4,821</u>
Total commitments	<u>9,291</u>	<u>13,397</u>

Accounting Policy

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

37 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2021.

Accounting Policy

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.

38 Trust funds

Trust deposits	<u>178</u>	<u>163</u>
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Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements as income. Trust monies are invested with a financial institution in an appropriate interest-earning account. The deposits are bearing floating interest rates of 0.00% as at June 30 2021 (2020: 0.65%).

Accounting Policy

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

	2021 \$'000	2020 \$'000
39 Reconciliation of cash flows from operating activities to surplus / (deficit)		
Surplus / (deficit)	15,168	(837)
Depreciation and amortisation	10,228	10,571
Depreciation of right-of-use assets	56	53
Non-cash donations subsidies and contributions	(5,352)	(8)
Share of profit in associate	(942)	(885)
Net (gain) / loss on disposal of assets	458	626
Derecognition of assets	942	1,320
Market value movement in fair value swaps	(707)	383
Investing activity		
Capital grants and contributions	(9,277)	(2,505)
Investment revenue from Taswater	(546)	(546)
Distribution from Associate	(287)	(261)
Other investments	(424)	(642)
Finance costs paid	3,606	1,671
	<u>(2,245)</u>	<u>9,777</u>
Changes in operating assets and liabilities :		
<i>(Increase) / decrease in receivables</i>	(2,322)	(1,260)
<i>(Increase) / decrease in other assets</i>	(19)	374
<i>Increase / (decrease) in payables</i>	(549)	168
<i>Increase / (decrease) in employee provisions</i>	185	(90)
	<u>(2,705)</u>	<u>(808)</u>
Net cash inflow from operating activities	<u>10,218</u>	<u>8,132</u>

39.1 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

Opening Balance	50,017	51,821
Changes from financing cash flows:		
Cash Received	48,200	0
Cash Repayments	(50,281)	(1,804)
Closing Balance	<u>47,936</u>	<u>50,017</u>

2021
\$'000

2020
\$'000

40 Joint Authorities

(i) Dulverton Regional Waste Management Authority

The Council is a partner in the Dulverton Regional Waste Management Joint Authority established under the *Local Government Act 1993* (as amended).

Other partners in the Dulverton Regional Waste Management Joint Authority are the Central Coast, Latrobe, and Kentish Councils.

The primary activity of the Authority is to operate a regional landfill site at Dulverton. As at 30 June 2021 the ownership share for Devonport was 43.45%.

Value of ownership share	9,172	8,191
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(ii) Cradle Coast Authority

The Council is a subscribing member of the Cradle Coast Joint Authority together with Burnie City, Central Coast, Circular Head, Kentish Council, King Island, Latrobe, Waratah-Wynyard and West Coast Councils. No capital subscription is contemplated and operating costs will be provided out of current income by all subscribing Councils.

41 Controlling Authority transactions

	2021		2020	
	Income \$'000	Expenditure \$'000	Income \$'000	Expenditure \$'000
Maidstone Park Management Controlling Authority	8	7	9	18
Total	8	7	9	18

v

Council have created Strategic Special Committees and Special Interest Groups to advise on specific areas of interest. These Committees and Groups do not hold assets and liabilities in their own right, they operate in an advisory capacity only.

42 Related party transactions

(i) Responsible Persons

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

Councillors

A. Rockliff (Mayor)
A. Jarman (Deputy Mayor)
L. Laycock
L. Perry
G. Ennis
L. Murphy
S. Milbourne
P. Hollister
J. Alexiou

General Manager
Deputy General Manager
Executive Manager People and Finance
Executive Manager City Growth

M. Atkins
J. Griffith
K. Peebles
M. Skirving

(ii) Councillor Remuneration

2021			Short term employee benefits				
Name	Position	Period	Allowances	Vehicles ¹	Total Compensation AASB 124	Expenses ²	Total allowances and expenses section 72
			\$	\$	\$	\$	\$
A. Rockliff	Mayor	Full Year	79,822	6,356	86,178	4,219	90,397
A. Jarman	Deputy Mayor	Full Year	40,631		40,631	3,551	44,182
L. Laycock	Councillor	Full Year	22,806		22,806	3,551	26,357
L. Perry	Councillor	Full Year	22,806		22,806	3,551	26,357
G. Ennis	Councillor	Full Year	22,806		22,806	3,551	26,357
L. Murphy	Councillor	Full Year	22,806		22,806	3,551	26,357
S. Milbourne	Councillor	Full Year	22,806		22,806	3,551	26,357
P. Hollister	Councillor	Full Year	22,806		22,806	3,551	26,357
J. Alexiou	Councillor	Full Year	22,806		22,806	3,551	26,357
Total			280,095	6,356	286,451	32,627	319,078

2020			Short term employee benefits				
Name	Position	Period	Allowances	Vehicles ¹	Total Compensation AASB 124	Expenses ²	Total allowances and expenses section 72
			\$	\$	\$	\$	\$
A. Rockliff	Mayor	Full Year	71,470	6,339	77,809	3,615	81,424
A. Jarman	Deputy Mayor	Full Year	40,286		40,286	2,933	43,219
	Councillor		158,287		158,287	20,533	178,820
Total			270,043	6,339	276,382	27,081	303,463

1. The amount relates to the taxable value of the vehicle for the FBT year.

2. Section 72(1)cb of the Local Government Act 1993 requires the disclosure of expenses paid to Councillors.

The expenses include a notional parking benefit of \$3,075 (2019/20: \$2,442) per annum.

(iii) Key Management Personnel Remuneration

2021	Short term employee benefits			Post employment benefits			Non - monetary benefits ⁷	Total
	Salary ¹	Vehicles ²	Other Allowances and Benefits ³	Super-annuation ⁴	Other long term benefits ⁵	Termination benefits ⁶		
Employee	\$	\$	\$	\$	\$	\$	\$	\$
K.Peebles	102,437	1,200		24,505			4,813	132,955
M.Skirving	125,000	18,143		15,624			8,157	166,924
J.Griffith	170,000	19,517	1,608	21,250			12,746	225,121
M.Atkins	231,800	14,525	1,069	21,937			10,834	280,165
Total	629,237	53,385	2,677	83,316	-	-	36,550	805,165

2020	Short term employee benefits			Post employment benefits			Non - monetary benefits ⁷	Total
	Salary ¹	Vehicles ²	Other Allowances and Benefits ³	Super-annuation ⁴	Other long term benefits ⁵	Termination benefits ⁶		
Employee	\$	\$	\$	\$	\$	\$	\$	\$
K.Peebles	97,044	936		23,830			8,217	130,027
M.Skirving	28,846	230		3,606			-	32,682
J.Griffith	159,000	2,442		19,875			16,581	197,898
M.Atkins	221,517	16,125	1,071	24,524			24,003	287,240
P.West	39,528	7,932	317	24,897	37,734	174,026	(145,293)	139,141
Total	545,935	27,665	1,388	96,732	37,734	174,026	(96,492)	786,988

1. Gross Salary includes all forms of consideration paid and payable for services rendered and compensated absences during the period. FBT year and the market value of parking provided.

2. The amount relates to the taxable value of the vehicle for the FBT year.

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

4. Superannuation means the contribution to the superannuation fund of the individual and salary sacrificed amounts.

5. Other long term benefits equals the long service leave paid in the period.

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

7. Other non-monetary benefits include annual and long service leave movements.

42 Related party transactions (continued)

(iv) Remuneration Principles

Councillor

The Councillors receive an allowance from Council in accordance with S340A of the Local Government Act 1993. Regulation 42(2) of the Local Government (General) Regulations 2005 specifies the amount payable to mayors, deputy mayors and Councillors.

Executives

Remuneration levels for key management personnel are set with regard to current market expectations considering the qualifications, skills and experience required for each role.

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 contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the General Manager, is reviewed annually which encompasses 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 executive or Council to provide a minimum notice period prior to termination of the contract. Whilst not automatic, contracts can be extended.

(v) Transactions with associates

Council's interests in associates is detailed in Note 23.

The following transactions occurred with Dulverton Regional Waste Management Authority (DRWMA). All transactions were subject to normal terms and conditions:

	2021	2020
Commercial office space supplied by Council (subject to lease)	\$ 15,860	\$ 16,981
Special purpose grant received	\$ -	\$ 9,089
Utilities and other sundry reimbursements	\$ 2,315	\$ 1,446
Parking	\$ 3,240	\$ 3,420
paranaple Convention Centre - Hire and Catering	\$ 931	\$ -
Distribution Received	\$ 286,770	\$ 260,700
Cost of transfer of waste to the regional facility maintained by DRWMA	\$ 2,562,121	\$ 2,438,637

At 30 June 2021 Council owed DRWMA \$0 for the provision of services at standard commercial terms (2020: \$205,145).

Amounts are on an accruals basis and are inclusive of GST.

(vi) Transactions with related parties

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

2021

Nature of the transaction	Amount	Outstanding balance at year end	Terms and conditions
Nil	Nil	\$ 12,236	Recovery action has been taken.

2020

Nature of the transaction	Amount	Outstanding balance at year end	Terms and conditions
Utility costs for tenanted property*	\$ 15,183	\$ 12,236	Normal trading terms.

*Council rented a property to a company related to a Key Management Personnel during the 2020 financial year. The utility charges were paid by Council and on-charged to the tenant on normal trading terms.

42 Related party transactions (continued)

(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 municipal area. 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 or commercial property
- dog registration
- use of Council's recreation facilities

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

43 Financial instruments (continued)

(b) Interest rate risk

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

2021	Floating interest rate \$'000	Fixed Interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000		
Financial assets						
Cash and cash equivalents	13,720	0	0	0	0	13,720
Receivables	0	27	122	215	4,084	4,448
Investment in Water Corporation	0	0	0	0	82,968	82,968
	13,720	27	122	215	87,052	101,136
Financial liabilities						
Payables	0	0	0	0	3,196	3,196
Other financial liabilities	0	0	0	0	0	0
Interest bearing liabilities	11,600	1,073	4,268	30,995	0	47,936
	11,600	1,073	4,268	30,995	3,196	51,132
Net financial assets / (liabilities)	2,120	(1,046)	(4,146)	(30,780)	83,856	50,004

2020	Floating interest rate \$'000	Fixed Interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000		
Financial assets						
Cash and cash equivalents	13,730	0	0	0	0	13,730
Receivables	0	25	122	242	2,298	2,687
Investment in Water Corporation	0	0	0	0	76,789	76,789
	13,730	25	122	242	79,087	93,206
Financial liabilities						
Payables	0	0	0	0	2,868	2,868
Other financial liabilities	2,882	0	0	0	0	2,882
Interest bearing liabilities	0	1,804	48,213	0	0	50,017
	2,882	1,804	48,213	0	2,868	55,767
Net financial assets / (liabilities)	10,848	(1,779)	(48,091)	242	76,219	37,439

Council previously entered into interest rate swaps to protect it from adverse changes in interest rates over time. During 2021 Council refinanced its borrowings and terminated the interest rate swaps in favour of using fixed interest rate loans to protect against adverse changes in interest rates over time. As a result, the difference in the market valuation at the time of refinancing and the actual termination value of the swaps was realised resulting in a favourable adjustment of \$706,000. Council recognised the movements in the swaps through the Statement of Profit and Loss and Other Comprehensive Income and did not elect to apply hedge accounting to the transactions as per AASB 9 *Financial Instruments*.

43 Financial instruments (continued)

(c) Net fair values

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

Financial Instruments

	Total carrying amount as per Statement of Financial Position		Aggregate net fair value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets				
Cash and cash equivalents	13,720	13,730	13,720	13,730
Receivables	4,418	2,632	4,418	2,632
Investment in Water Corporation	82,968	76,789	82,968	76,789
Total financial assets	101,106	93,151	101,106	93,151
Financial liabilities				
Payables	3,196	2,868	3,196	2,868
Other Financial Liabilities	0	2,882	0	2,882
Interest-bearing loans and borrowings	47,936	50,017	47,936	50,017
Total financial liabilities	51,132	55,767	51,132	55,767

(d) Credit Risk

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

(e) Risks and mitigation

The risks associated with Council's main financial instruments and the policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of Council's 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 Council 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 are used. Non derivative interest bearing assets are predominantly short term liquid assets. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes it to fair value interest rate risk.

Council's loan borrowings are sourced from major Australian banks. Overdrafts are arranged with major Australian banks. Council manages interest rate risk on its net debt portfolio by:

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

Council manages the interest rate exposure on its debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Treasury and Finance.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993* (as amended). Council manages 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.

43 Financial instruments (continued)

(e) 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 its Statement of Financial Position. To help manage this risk Council has:

- a policy for establishing credit limits for the entities we deal with;
- required collateral where appropriate; and
- only invest surplus funds with financial institutions which have a recognised credit rating specified in its 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, credit worthy 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 provide a guarantee for another party. Details of contingent liabilities are disclosed in note 37.

Ageing of Trade and Other Receivables

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

	2021 \$'000	2020 \$'000
Current (less than 1 year)	4,263	2,503
Past due by over 1 year	76	46
Past due by over 2 years	21	27
Past due by over 3 years	10	6
Past due by over 4 years	48	50
	<hr/>	<hr/>
Total Trade & Other Receivables	<u>4,418</u>	<u>2,632</u>

43 Financial instruments (continued)
(e) Risks and mitigation (continued)

Ageing of individually impaired Trade and Other Receivables

At balance date, impaired debtor amounts identified totalled \$37,273 (\$55,000 2019/20). A provision has been raised against debtors at year end of \$37,273 (\$55,000 2019/20). All long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements:

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

To help reduce these risks Council:

- 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.

(e) Risks and mitigation (continued)

The table below lists the contractual maturities for financial liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

2021	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
Payables	3,196	0	0	0	0	3,196	3,196
Other financial liabilities					0	0	0
Interest bearing liabilities	993	987	1,979	33,387	14,254	51,600	47,936
Total financial liabilities	4,189	987	1,979	33,387	14,254	54,796	51,132

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
Payables	2,868	0	0	0	0	2,868	2,868
Other financial liabilities	0	137	126	2,619	0	2,882	2,882
Interest bearing liabilities	902	902	48,213	0	0	50,017	50,017
Total financial liabilities	3,770	1,039	48,339	2,619	0	55,767	55,767

43 Financial instruments (continued)

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% 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.

		2021	Interest Rate Risk			
			-1%		+1%	
			-100 basis points		+100 basis points	
		2021 \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:						
	Cash and cash equivalents	13,720	(137)	(137)	137	137
	Receivables	364	(4)	(4)	4	4
Financial liabilities:						
	Interest bearing liabilities	11,600	116	116	(116)	(116)

		2020	Interest Rate Risk			
			-1%		+1%	
			-100 basis points		+100 basis points	
		2020 \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:						
	Cash and cash equivalents	13,730	(137)	(137)	137	137
	Receivables	389	0	0	4	4
Financial liabilities:						
	Other financial liabilities	2,882	(29)	(29)	29	29
	Interest bearing liabilities	50,017	500	500	(500)	(500)

43 Financial instruments (continued)

(g) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- Level 3 inputs for the asset or liability that are not based on observable market data

30 June 2021
Investment equity asset
Derivative financial liabilities

Level 1	Level 3	Total
0	82,968	82,968
0	0	0

30 June 2020
Investment equity asset
Derivative financial liabilities

Level 1	Level 3	Total
0	76,789	76,789
0	2,882	2,882

There were no transfers between Level 1 and Level 2 during the period.

	2021 \$'000	2020 \$'000
Reconciliation of Level 3 fair value movements:		
Opening Balance	76,789	100,028
Fair value adjustments on equity investment assets	<u>6,179</u>	<u>(23,239)</u>
Closing Balance	<u>82,968</u>	<u>76,789</u>

44 Management indicators

	Benchmark	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
(a) Underlying surplus or deficit					
Recurrent income* less		40,741	40,584	41,004	40,542
Recurrent expenditure**		39,496	42,381	42,565	39,034
Underlying surplus/(deficit)	0	1,245	(1,797)	(1,561)	1,508

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

Council has reported an underlying surplus for the 2021 year, which is above the benchmark of a breakeven result. This result was compared to a budget deficit of \$2.2M impacted by the uncertainty of COVID-19 at the time of setting the 2021 budget. This result takes into account the measures Council adopted in response to COVID-19, including providing rental relief for commercial tenants in accordance with the State Government guidelines. The result was impacted by the decision of TasWater to pay 50% of pre-COVID dividends to owner Councils totalling \$546,000 and the refinancing of Council's interest rate swap arrangements.

* Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature. The total excludes the prepaid 2021/22 Financial Assistance Grant of \$1,386,000 received in June 2021 and includes the prepaid 2020/21 Financial Assistance Grant of \$1,089,000 received in June 2020.

** Recurrent expenditure includes loss on disposal of property, plant & equipment of \$458,000 and additional depreciation on a number of buildings constructed as part of LIVING CITY Stage 1.

(b) Underlying surplus ratio

<u>Underlying surplus or deficit</u>		1,245	(1,797)	(1,561)	1,508
Recurrent income		40,741	40,584	41,004	40,542
Underlying surplus ratio	0%	3.06%	-4.43%	-3.81%	3.72%

This ratio serves as an overall measure of financial operating effectiveness

The ratio reflects Council's goal to break-even and is reasonably consistent with the benchmark for the period reported.

(c) Net financial liabilities

Liquid assets less		18,127	16,088	23,544	17,571
total liabilities*		56,741	61,586	59,358	54,168
Net financial liabilities	0	(38,614)	(45,498)	(35,814)	(36,597)

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.

44 Management indicators (continued)	Benchmark	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
(d) Net financial liabilities ratio					
<u>Net financial liabilities</u>		(38,614)	(45,498)	(35,814)	(36,597)
Recurrent income*	0% -(50%)	40,741	40,584	41,004	40,542
Net financial liabilities ratio %		(94.78%)	(112.11%)	(87.34%)	(90.27%)

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

The result over the reported period is outside the benchmark, and reflects the higher level of borrowings in recent years in relation to the LIVING CITY project. As stated above, Council actively manage debt levels and repayment schedules through the Long Term Financial Plan.

(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.

<i>Parks and open space</i>					
<u>Depreciated replacement cost</u>		25,740	15,954	13,671	13,671
Gross replacement cost		43,571	27,549	23,301	23,301
Asset consumption ratio %	40-60%	59%	58%	59%	59%
<i>Buildings</i>					
<u>Depreciated replacement cost</u>		92,939	98,817	61,989	61,989
Gross replacement cost		143,805	147,561	106,218	106,218
Asset consumption ratio %	40-60%	65%	67%	58%	58%
<i>Roads</i>					
<u>Depreciated replacement cost</u>		139,069	135,405	133,816	133,816
Gross replacement cost		317,621	308,980	296,226	296,226
Asset consumption ratio %	40-60%	44%	44%	45%	45%
<i>Stormwater</i>					
<u>Depreciated replacement cost</u>		87,892	85,137	74,346	74,346
Gross replacement cost		158,334	153,109	131,116	131,116
Asset consumption ratio %	40-60%	56%	56%	57%	57%

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

Council have set a benchmark for this ratio of between 40% and 60% in the Long Term Financial Plan. The result for all categories is within this range, however a result closer to 60% suggests that Council has sufficient service capacity remaining in these asset classes.

44 Management indicators (continued)	Benchmark	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
(f) Asset renewal funding ratio					
An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.					
<i>Parks and open space</i>					
<u>Projected capital funding outlays**</u>		6,335	2,361	2,361	2,776
Projected capital expenditure funding***		5,279	9,871	9,871	9,401
Asset renewal funding ratio %	90-100%	120%	24%	24%	30%
<i>Buildings</i>					
<u>Projected capital funding outlays**</u>		12,434	9,218	9,218	8,480
Projected capital expenditure funding***		4,700	4,700	4,700	4,700
Asset renewal funding ratio %	90-100%	265%	196%	196%	180%
<i>Roads</i>					
<u>Projected capital funding outlays**</u>		39,031	35,225	35,225	34,669
Projected capital expenditure funding***		42,208	36,916	36,916	36,283
Asset renewal funding ratio %	90-100%	92%	95%	95%	96%
<i>Stormwater</i>					
<u>Projected capital funding outlays**</u>		4,378	7,778	7,778	6,681
Projected capital expenditure funding***		313	313	313	315
Asset renewal funding ratio %	90-100%	1399%	2485%	2485%	2121%

Council are continuing to renew stormwater assets at a greater rate than required in the Asset Management Plans.

** Projected capital funding outlays per the 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, by comparing the budgeted renewal expenditure to the projected capital expenditure requirements in the Asset Management Plans. This ratio should be considered over a longer period of time, at least 10 years to assess if Council is adequately funding the renewal of its assets. Council adopted a Financial Management Strategy in June 2021 which included a Long Term Financial Plan to 30 June 2031. That Plan included data that demonstrated Council has, on average over the 10 year life of the Plan, provided funding to renew assets in accordance with the Asset Management Plans.

The Asset Management Plans were initially prepared in 2011 and have been progressively updated. Since 2011, Council staff have reviewed and extended the lives of Road and Stormwater assets. A progressive condition assessment for all asset classes is currently underway and this information will be reflected in future Asset Management Plans.

This ratio is not subject to audit.

45 Fair Value Measurements

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

- Investment in water corporation
- Property, infrastructure, plant and equipment
 - Land
 - Buildings
 - Roads, including footpaths and cycleways
 - Stormwater
 - Parks & open space
 - Cultural & heritage

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. These assets are disclosed in note 24.1. A description of the valuation techniques and the inputs used to determine the fair value these assets is included below under the heading 'Assets held for sale'.

Council measures other financial liabilities at fair value on a recurring basis.

(a) Fair Value Hierarchy

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

Level 1	Unadjusted quoted prices in active market 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 measured and recognised at fair value at 30 June 2021.

The fair value 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 of similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

As at 30 June 2021

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	22	0	0	82,968	82,968
Land	24	0	179,336	0	179,336
Buildings	24	0	70,528	22,411	92,939
Roads, including footpaths and cycleways	24	0	0	139,069	139,069
Stormwater	24	0	0	87,892	87,892
Parks & open space	24	0	0	25,740	25,740
Cultural and heritage	24	0	3,316	0	3,316
Other financial liabilities	30	0	0	0	0
		0	253,180	358,080	611,260
Non - recurring fair value measurements					
Assets held for sale	24.1	0	800	95	895
		0	800	95	895
Total fair value measurements		0	253,980	358,175	612,155

45 Fair Value Measurements (cont.)

As at 30 June 2020

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	22	0	0	76,789	76,789
Land	24	0	166,664	0	166,664
Buildings*	24	0	78,309	20,508	98,817
Roads, including footpaths and cycleways	24	0	0	135,405	135,405
Stormwater	24	0	0	85,137	85,137
Parks & open space	24	0	0	15,954	15,954
Cultural and heritage	24	0	5,017	0	5,017
Other financial liabilities	29	(2,882)	0	0	(2,882)
		(2,882)	249,990	333,793	580,901
Non - recurring fair value measurements					
Assets held for sale	24.1	513	0	0	513
		513	0	0	513

Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels at the end of the reporting period. During the 12 months to 30 June 2021, Council changed the valuation methodology in relation to one building. This change resulted in the adoption of the valuation data provided by the Valuer-General to determine Fair Value. The change did not result in a transfer between valuation hierarchies. Details of the change in accounting policy can be found in Note 1.

(b) Highest and best use

In accordance with AASB 13, all assets are valued at their highest and best use.

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

Investment in water corporation

Refer to note 22 and this note for detail of valuation techniques used to derive fair values.

Land

Land fair values were determined by the office of the Valuer General during the year ended 30 June 2015 and revalued at 30 June 2021 using the adjustment factor provided by the Office of the Valuer-General. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current planning provisions.

Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Land under roads

All land under roads is calculated based on the applicable land area recorded by Council and the land values provided by the Valuer General in 2020. The most significant input into this valuation approach is price per square metre. Land under roads has been revalued at 30 June 2021 using the adjustment factor provided by the Office of the Valuer-General.

Land under roads has been categorised as either urban residential land or rural land in accordance with Council data. The relevant square metre rates have then been applied to the land area.

45 Fair Value Measurements (cont.)

Buildings

Where there is a market for Council building assets, fair value has been determined by applying the statutory values assigned by the office of the Valuer General during the year ended 30 June 2015 and subsequent adjustment factors. Fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre. These buildings have been classified as level 2 in the Table above.

The Office of the Valuer-General did not provide an adjustment factor for Capital Value for 2021. The most recent adjustment factor applied in 2019 reflected a 20% increase in market value since the full revaluation in 2015 and this adjustment factor has been applied to relevant buildings. Council staff reviewed a number of commercial property sales since 1 July 2019 and compared the sales price to the adjusted capital value as assessed by the Valuer-General (VG). The review of the sale of properties showed on average, commercial properties in Devonport were selling for 9% above the VG valuation. During this time Council disposed of a property at 92 Formby Road which sold above independent valuation but below VG valuation. This sale was an open process with the property listed through a local Real Estate Agency. Council has also obtained an independent valuation for land at 16-22 Edward Street which has a similar result. Based on the inconclusive data, Council has not revalued this category of buildings at 30 June 2021 and the asset values remain at the adjusted capital value as determined by the VG in 2019. The asset class will be subject to a full revaluation at 30 June 2022.

Where Council buildings are of a specialist nature (e.g. public amenities) and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. The gross current values have been derived from reference to market data for recent projects and costing guides. Construction costs applicable to these assets have been indexed using appropriate independent construction indexes. These buildings have been classified as level 3 in the Table above.

In determining the level of accumulated depreciation, significant building assets have been disaggregated into components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of useful life that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

The medium-term trend in the construction sector has been well above general inflationary pressures however, the impacts of the COVID-19 pandemic have already impacted competition and market pricing within the region. The Non-Residential Building & Construction Index 5 year average for the past 5 years has been 2.3% pa or 11.5% for the 5 years. Over the same period, Council has applied revaluation rates totalling 16.56%, 5% above the average increase. Given the uncertainty in the market and the fact that Council has applied revaluation increases in excess of the actual movement, it was considered appropriate not to index specialised building assets or buildings valued at indexed construction cost for the 2021 year and that existing values approximate fair value at 30 June 2021.

Infrastructure assets

All Council infrastructure assets were fair valued using written down current replacement cost (CRC). This valuation comprises the asset's gross replacement cost (GRC) 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 GRC of an asset or asset component were generally based on a "Brownfield" assumption meaning that the GRC was determined as the cost of replacement with a new asset excluding components that may not need to be replaced, such as earthworks.

45 Fair Value Measurements (continued)

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. Depreciation is applied on a straight line basis. Estimated useful lives are disclosed in Note 15.

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

Roads, including footpaths & cycleways

A full valuation of road infrastructure was undertaken by Council staff effective 30 June 2019. Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban and rural roads are generally managed in segments from intersection to intersection. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Pavements constructed post 1993 have longer asset lives as they require more stringent quality assurance on material selection and pavement design.

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 uses known pavement thickness for most assets and applies a 350mm default when unknown. 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 Agreement (EA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years. Road assets were indexed by 1.1% at 30 June 2021.

Stormwater

Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

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

CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material (including pipe diameter) as well as the depth the pipe is laid. Stormwater assets were indexed by 1.1% at 30 June 2021.

Parks & Open Space

A full valuation of parks & open space was undertaken by Council staff effective 30 June 2021. Replacement costs have been obtained where available, however if this has not been possible, existing rates have been indexed by 1.1%.

Cultural & Heritage

The Devonport Regional Gallery art collection and public art has been independently valued as at 30 June 2021 by Ross Searle, Heritage, Museums and Galleries Consultant with assistance from recognised expert Rohan Sulich. Ross Searle is an approved valuer under the Commonwealths Cultural Gifts Program and has extensive experience in valuing cultural assets in the local government and university sectors. Rohan Sulich until 2019 was the head of Christies Australia and is a recognised expert in the decorative arts field. The revaluation was based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The remainder of the asset class relating to the Bass Strait Maritime Collection was not revalued due to travel restrictions that prevented physical inspection of collection by the relevant valuation experts, however, these assets are not considered material.

45 Fair Value Measurements (continued)

Other financial liabilities

Refer to note 45 for detail of valuation techniques used to derive fair values.

Assets held for sale

Assets classified as held for sale during the reporting period were valued at the lower of carrying amount or fair value less costs to sell at the time of reclassification. Market value was used to determine fair value.

(e) Changes in fair value measurements

The changes in assets and liabilities with recurring fair value measurements are detailed in Note 24 and 43.

Transfers between level 1, 2 or 3 measurements that relate to non - recurring fair value measurements are detailed in the table below.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Land	24	0	(800)	0	(800)
Roads, including footpaths and cycleways	24	0	0	(95)	(95)
		0	(800)	(95)	(895)
Non - recurring fair value measurements					
Assets held for sale	24.1	895	0	0	895
		895	0	0	895
		895	(800)	(95)	0

(f) Valuation processes

Council's valuation policies and procedures are determined by the Asset Management Team which includes the Manager of Infrastructure & Works and Executive Manager People & Finance. An Asset Revaluation Paper is prepared each year that is approved by the General Manager and referred to the Audit Panel for review.

Council's current policies for the valuation of property, infrastructure, plant and equipment and investment in water corporation are set out in Note 22 and 24.

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer Note 43)

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2020

Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2021, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Matthew Atkins
GENERAL MANAGER

Dated: 14 September 2021