



The City with Spirit

NOTICE OF MEETING

Notice is hereby given that an **Ordinary Council** meeting of the Devonport City Council will be held in the Aberdeen Room, Level 2, parnaple centre, 137 Rooke Street, Devonport, on Monday 28 October 2019, commencing at 5:30pm.

The meeting will be open to the public at 5:30pm.

QUALIFIED PERSONS

In accordance with Section 65 of the *Local Government Act 1993*, I confirm that the reports in this agenda contain advice, information and recommendations given by a person who has the qualifications or experience necessary to give such advice, information or recommendation.

Paul West
GENERAL MANAGER

23 October 2019

NOVEMBER 2019

Meeting	Date	Commencement Time
Governance Finance & Community Services	18 November 2019	5:30pm
Council	25 November 2019	5:30pm

**AGENDA FOR AN ORDINARY MEETING OF DEVONPORT CITY COUNCIL
HELD ON MONDAY 28 OCTOBER 2019 IN THE ABERDEEN ROOM, LEVEL 2, paranaple centre,
137 ROOKE STREET, DEVONPORT AT 5:30PM**

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Agenda of an ordinary meeting of the Devonport City Council to be held in the Aberdeen Room, Level 2, paranaple centre, 137 Rooke Street, Devonport on Monday, 28 October 2019 commencing at 5:30pm.

PRESENT

		Present	Apology
Chair	Cr A Rockliff (Mayor)		
	Cr A Jarman (Deputy Mayor)		
	Cr J Alexiou		
	Cr G Enniss		
	Cr P Hollister		
	Cr L Laycock		
	Cr S Milbourne		
	Cr L Murphy		
	Cr L Perry		

ACKNOWLEDGEMENT OF COUNTRY

Council acknowledges and pays respect to the Tasmanian Aboriginal community as the traditional and original owners and continuing custodians of this land.

IN ATTENDANCE

All persons in attendance are advised that it is Council policy to record Council Meetings, in accordance with Council's Digital Recording Policy. The audio recording of this meeting will be made available to the public on Council's website for a minimum period of six months. Members of the public in attendance at the meeting who do not wish for their words to be recorded and/or published on the website, should contact a relevant Council Officer and advise of their wishes prior to the start of the meeting.

1.0 APOLOGIES

2.0 DECLARATIONS OF INTEREST

3.0 PROCEDURAL

3.1 CONFIRMATION OF MINUTES

3.1.1 COUNCIL MEETING - 23 SEPTEMBER 2019

RECOMMENDATION

That the minutes of the Council meeting held on 23 September 2019, as circulated, be confirmed.

3.1.2 SPECIAL COUNCIL MEETING - 21 OCTOBER 2019

RECOMMENDATION

That the minutes of the Special Council meeting held on 21 October 2019, as circulated, be confirmed.

3.2 PUBLIC QUESTION TIME

Members of the public are invited to ask questions in accordance with Council's Public Question Time Policy (Min No 153/19 refers):

1. Public participation shall take place at Council meetings in accordance with Regulation 31 of the *Local Government (meeting Procedures) Regulations 2015*.
 2. Public participation will be the first agenda item following the formal motions: Apologies, Minutes and Declarations of Interest.
 3. Questions without notice will be dependent on available time at the meeting (with a period of 30 minutes set aside at each meeting).
 4. A member of the public who wishes to ask a question at the meeting is to state their name and address prior to asking their question.
 5. A maximum of 2 questions per person are permitted.
 6. A maximum period of 3 minutes will be allowed per person.
 7. If time permits, a third question may be asked once all community members who wish to ask questions have done so. A time limit of 2 minutes will apply.
 8. Questions are to be succinct and not contain lengthy preamble.
 9. Questions do not have to be lodged prior to the meeting, however they will preferably be provided in writing.
 10. A question by any member of the public and an answer to that question are not to be debated.
 11. Questions without notice and their answers will be recorded in the minutes.
 12. The Chairperson may take a question on notice in cases where the questions raised at the meeting require further research or clarification, or where a written response is specifically requested.
 13. Protection of parliamentary privilege does not apply to local government and any statements or discussion in the Council Chambers, or any document produced, are subject to the laws of defamation.
 14. The Chairperson may refuse to accept a question. If the Chairperson refuses to accept a question, the Chairperson is to give reason for doing so in accordance with the Public Question Time Policy.
-

3.2.1 RESPONSES TO QUESTIONS RAISED AT PRIOR MEETINGS

File:

Responses to questions raised at prior meetings are attached.

ATTACHMENTS

1. GMGOV - Letter - Response to Question Without Notice - Council Meeting - 23 September 2019 - Malcolm Gardam
2. GMGOV - Letter - Response to Question Without Notice - Council Meeting - 23 September 2019 - Graeme Nevin
3. GMGOV - Letter - Response to Question Without Notice - Council Meeting - 23 September 2019 - Kees Kuys
4. GMGOV - Letter - Response to Question Without Notice - Council Meeting - 23 September 2019 - Jennie Claire

RECOMMENDATION

That the responses to questions from Mr Malcolm Gardam, Mr Graeme Nevin, Mr Kees Kuys and Ms Jennie Claire, at the 23 September 2019 Council meeting, be noted.

Author:	Paul West
Position:	General Manager



DEVONPORT CITY COUNCIL

ABN: 47 611 446 016

PO Box 604 Devonport TAS 7310 – 137 Rooke Street, Devonport
Telephone 03 6424 0511Email council@devonport.tas.gov.au Web www.devonport.tas.gov.au

1 October 2019

Malcolm Gardam
4 Beaumont Drive
DEVONPORT TAS 7310

Dear Mr Gardam

RESPONSE TO QUESTIONS WITHOUT NOTICE RAISED MONDAY 23 SEPTEMBER 2019

I refer to your question taken on notice at the Council Meeting on Monday 23 September and provide the following response:

Question

With all the previous assurances and representations made by Council to the community and the now irrefutable fact that the initial lease arrangements were fatally flawed, and noting the Auditor General's severe criticism of Council's governance of the initial lease arrangements, after conducting a review within the limited scope of the Auditor General's role, will all Councillors and not just a few take their responsibility to the people of Devonport seriously and insist on a full external investigation including rent write-off and the new lease?

Response

Council has welcomed the independent investigation by the Tasmanian Audit Office into LIVING CITY and is considering its response to the recommendations. There are no plans to undertake a second investigation.

Yours sincerely

Matthew Atkins
ACTING GENERAL MANAGER*The City with Spirit*



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1 October 2019

Graeme Nevin
145 Percy Street
DEVONPORT TAS 7310

Dear Mr Nevin

RESPONSE TO QUESTION WITHOUT NOTICE RAISED MONDAY 23 SEPTEMBER 2019

I refer to your question taken on notice at the Council Meeting on Monday 23 September and provide the following response:

Q1

Will this Council release copies of all of the reports and advice Councillors received regarding the Providore Place Head Lease, so that Devonport residents can assess for themselves whether Council and Senior Management did indeed act in good faith and in the best interests of the community regarding the Providore Place Head Lease?

Response

Council has released all relevant information in relation to the Providore Place Head Lease including details which under normal circumstances would remain commercial in confidence. If you consider there is further information that should be released, a Right to Information (RTI) request can be submitted to Council for assessment in accordance with the Right to Information Act 2009.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Atkins'.

Matthew Atkins
ACTING GENERAL MANAGER*The City with Spirit*



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1 October 2019

Kees Kuys
20 Coomera Crescent
MIANDETTA TAS 7310

Dear Mr Kuys

RESPONSE TO QUESTION WITHOUT NOTICE RAISED MONDAY 23 SEPTEMBER 2019

I refer to your question taken on notice at the Council Meeting on Monday 23 September and provide the following response:

Question

Will you please tell me who will be responsible to make up the reported \$500,000 loss as reported in the Advocate on 13 September 2019, due to unpaid rent by Providore Place Devonport Pty Ltd?

Response

The reported loss figure was incorrect. Council has forgone rent to the value of \$163,333 for the period from 1/7/18 until 1/2/19. A decision has yet to be made on outstanding rent of \$179,666 for the period from 1/2/19 until the commencement of the new lease. The reduction in income has been factored into Council's budget.

Yours sincerely

Matthew Atkins
ACTING GENERAL MANAGER*The City with Spirit*



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1 October 2019

Jennie Claire
57 Gunn Street
DEVONPORT TAS 7310

Dear Ms Claire

RESPONSE TO QUESTION WITHOUT NOTICE RAISED MONDAY 23 SEPTEMBER 2019

I refer to your question taken on notice at the Council Meeting on Monday 23 September and provide the following response:

Question

Leaving out the \$179,000 which is still in question, can you tell us the exact amount of Providore Place rent that has been waived so far?

Response

Council determined to waive rent payments of \$163,333 for the period 1/7/18 until 1/2/19.

Yours sincerely

Matthew Atkins
ACTING GENERAL MANAGER



The City with Spirit

3.2.2 QUESTIONS ON NOTICE FROM THE PUBLIC

MR CHRISTOPHER MILLS – 52 CAROLINE STREET, EAST DEVONPORT

Questions on notice received from Mr Christopher Mills, 25 September 2019 **are reproduced as attachment 1.**

Q1 Does Council consider the provision of a Transit Centre as part of the "Council Developed Section" of the Waterfront Park (possibly the North West corner of Rooke Street) as an asset and an essential part of the Living City plan?

Response

Transit centres are generally considered to be a space in which public transport stops with associated amenities such as service information and ticketing facilities, toilets and waiting areas with appropriate seating. The improved Bus Mall to be developed as part of the Waterfront Park meets this criteria.

All bus companies that provide either a local or regional service will utilise the bus mall as their CBD stop. This will enable convenient interchange between the various services. The plan includes two new bus shelters that can seat 32 people undercover and additional seating for up to 64 others in close proximity. New and improved service information will be displayed with options for electronic displays in the future. There will be pedestrian wombat crossings, linking the area to public facilities in the paranapple centre and ticket sales and tourist information at the paranapple arts centre.

Q2 Do Council consider that "Bus Shelters" are really an appropriate key component of the Master Plan when Devonport is becoming a Living City" and the transport hub for the North West?

Response

Council does consider the Rooke Street Bus Mall to be an appropriate location for the CBD stop for bus services in the City. The proposed bus mall will be a substantial improvement on what is currently available to passengers in Devonport.

MR MALCOLM GARDAM – 4 BEAUMONT DRIVE, MIANDETTA

Questions on notice received from Mr Malcolm Gardam, 21 October 2019 **are reproduced as attachment 2.**

Q1 a) Did I correctly recall the Mayor at the same meeting state that these suggestions were essentially being applied?
b) Will these two suggestions from the General Manager be the subject of a motion for debate by full council during open session of an ordinary meeting so that all Councillors can publicly express their position on adopting measures that will further impede seeking information from Council?

Response

The Mayor controls responses provided as part of the Council Meeting relating to Public Questions. It is at the Mayor's discretion to determine based on the questions asked, as to whether they are responded to on the night or alternatively taken on notice.

Q2 a) Does Council refute there were "success fees" (incentive payments) included in the PDMA?

Response

No.

b) Were "success fees" included in the \$1,993,626 payment to P+i in the 2016-17 FY?

Response

Yes

c) If YES what was the value of that specific "success fee" payment?

Response

\$1.3 million

Q3 a) Considering that P+i compiled the Living City - Stage 1 Funding Implications model (dated 29th February 2016) which included the projected \$400k p.a. did this statement at the time raise any concerns on Council in relation to the validity of the budget allowances?

Response

The response provided by Mr Woolf included in the Auditor General's report does not concur with Council's recollections of discussions. In a July 2016 report, P+i concluded with the following statement:

'The budget indicates a capacity to support and pay the Food Pavilion rent in the financial model, and meet operating costs, with no substantial surplus beyond this level. The implication is that a head lease should be sought, accepting the need for a minimum base rent and revenue sharing'.

b) Noting the statement that Council's preference was for a "head lease" just who suggested the "operating partnership" and recommended its acceptance to Council?

Response

P+i workshopped potential operating models with Council over several months.

Q4 a) Was it Council or PPD P/L that paid "all operating costs and outgoings" up until 30/9/19?

b) If Council (ratepayers) paid and/or forewent payments then what was the total value of those costs and any waived amounts due under the agreement or otherwise payable?

Response

Providore Place Devonport Pty Ltd were responsible for outgoings under the lease agreement. In some cases where Council identified charges as a result of services still being in its name, these were on-charged to Providore Place Devonport Pty Ltd.

Q5 a) Is it not a more accurate and less misleading statement to say that the initial lease was based on a rent return of UP TO \$280,000 after all operational costs had been met?

Response

No.

b) Were all Aldermen at the time of entering the Head Lease agreement for a ten (10) year Term in 2016 made aware that rent would only be paid after all operational costs were met?

Response

That was not Council's view or understanding of the lease agreement.

Q6 Which senior staff negotiated the "new lease agreement" with Providore Place (Devonport) Pty Ltd?

Response

Council's Executive Manager Corporate Services, Mr Jeffrey Griffith assisted the Mayor and Cr Perry in the negotiations of the new lease.

- Q7** If the "new head lease agreement" between Devonport Council and Providore Place (Devonport) Pty Ltd "is a purely commercial arrangement" as reported, does PPD P/L still have control of the residual amount from the \$850,000 "fitout" provisional sum and can still make recommendations as to any "tenant specific base-build requirements" as may be applied to the still vacant tenancies as part of an assumed obligation under the head lease to secure tenants?

Response

There is a residual amount of the \$850,000 remaining that can be used for the purposes of fitout. Access to these funds require a written request from the lessee seeking approval, which under the lease agreement is at Council discretion. It is noted that any improvements to the building as a result of this expenditure becomes part of Council's asset.

- Q8** Has Council engaged a public relations firm to provide specialist advice in relation to Council's handling of the recently evolving Providore Place head lease revelations?

Response

Council did receive some assistance from an external public relations consultant in preparing release information.

- Q9** a) What is the capital expenditure write-down value for the Waterfront Precinct hotel Lot 1 land sale to Fairbrother?
b) What is the capital expenditure write-down value for the new Waterfront Park Lot 2 area?

Response

To enable the waterfront stage of the LIVING CITY Masterplan to progress, in 2018/19 Council demolished the building located at 20-26 Best Street, and decommissioned the adjacent carpark, resulting in a loss on derecognition of \$2.9M.

- Q10** a) Did council obtain independent legal advice regarding the nature and effect of the contents of the Waterfront Hotel preferred developer two (2) year exclusivity agreement with Fairbrother?
b) Did Council obtain independent legal advice regarding the nature and effect of the contents of the agreement (or amendment to the existing agreement) that provided an additional 18 month exclusivity extension to the existing two (2) year exclusivity period afforded Fairbrother Pty Ltd, which expires in October 2019; without any guarantee that a hotel will be built?

Response

Council has engaged independent legal advice relating to its contractual agreement with Fairbrother.

MR BOB VELLACOTT – 11 COCKER PLACE, DEVONPORT

Questions on notice received from Mr Bob Vellacott, 21 October 2019 **are reproduced as attachment 3.**

- Q1** Will you please inform as to the correct terminology that should be used when referring to or describing what the General Manager read at the meeting?

Response

Statement.

- Q2** Will you Mayor request the General Manager to include a copy of what he read at the meeting of the 23rd September 2019 in the Agenda for the 28th of October 2019 and that you or another councillor move before the confirmation of the minutes of the 23rd September 2019 that they be amended to include a copy of what the General Manager read at the meeting?

Response

The statement made by Mr West at the meeting is available on the digital recording file of the meeting. The minutes are a record of decisions and there is no intention to include a transcript of the statement made by Mr West.

MR BOB VELLACOTT – 11 COCKER PLACE, DEVONPORT

Questions on notice received from Mr Bob Vellacott, 21 October 2019 **are reproduced as attachment 4.**

- Q1** Is the following statement made by Mr Hirst in the Advocate on October 15th truthful?
"The original lease with Council specifically stated rent to be paid from operational profits"
- Q2.** If the answer is Yes why wasn't this information disclosed by Council in the Advocate article on September 13th 2019 when it was reported:
"The original lease with Providore Place was signed in 2016 based on \$280,000 a year rent"

Response

Council had a different interpretation of the lease agreement to that attributed to Mr Hirst recently in the Advocate Newspaper.

- Q3.** On what basis did the Council decide to ignore the advice of their appointed and highly paid Project Managers Projects & Infrastructure who advised against a head lease of Providore Place?

Response

The response provided by Mr Woolf included in the Auditor General's report does not concur with Council's recollections of discussions. In a July 2016 report, P+i concluded with the following statement:

'The budget indicates a capacity to support and pay the Food Pavilion rent in the financial model, and meet operating costs, with no substantial surplus beyond this level. The implication is that a head lease should be sought, accepting the need for a minimum base rent and revenue sharing'.

- Q4.** What is Council's justification for deceiving rate payers by on December 7th 2016 stating:
Projected food pavilion income is \$400,000 per year" when in fact it had knowledge that this was unlikely to be achieved?

Response

Refer response to question 3.

MR BOB VELLACOTT – 11 COCKER PLACE, DEVONPORT

Questions on notice received from Mr Bob Vellacott, 21 October 2019 **are reproduced as attachment 5.**

Q1 Can you and will you provide any information to ratepayers that prevents Council from insisting that all contracts/agreements are open and transparent as listed above?

Response

Requiring all future contracts/agreements to be dealt with by Council in open session would require the Council to pass a resolution to that effect.

MR BOB VELLACOTT – 11 COCKER PLACE, DEVONPORT

Questions on notice received from Mr Bob Vellacott, 21 October 2019 **are reproduced as attachment 6.**

Q1 Why did Council forgo the arrears and why is there no breach of the act? (See appended Section 76 of the Local Government Act)

Response

Decisions relating to the rental payments have been made by Council in accordance with its statutory obligations.

Q2 Will council now instruct the appropriate manager (General Manager or Acting General Manager) to advise all of the appropriate authorities that there may have been a possible breach of the Local Government Act and if so seek that all who supported the writing off of the debt be prosecuted by the relevant authorities and request the police to investigate the matter?

Response

No.

ATTACHMENTS

1. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Christopher Mills
2. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Malcolm Gardam
3. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Bob Vellacott - General Manager's Statement
4. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Bob Vellacott - Auditor-General's Report
5. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Bob Vellacott - Commercial In Confidence Agreements
6. Letter - Question on Notice - Council Meeting - 28 October 2019 - Mr Bob Vellacott - Possible Breach

RECOMMENDATION

That Council in relation to the correspondence received from Mr Christopher Mills, Mr Malcolm Gardam and Mr Bob Vellacott endorse the responses proposed and authorise their release.

Author:	Robyn Woolsey	Endorsed By:	Paul West
Position:	Executive Assistant General Management	Position:	General Manager

Devonport City Council

52 Caroline St
E.Devonport

25 Sept 2019

Question on Notice for DCC Council Meeting *-28 October 2019*

Re: Tender report CB0082 Waterfront Park & Living City Master Plan.

Summary

Recently.... we had some visitors from the Mainland.

They wanted to know where the "Transit Terminal" (Bus Station) was. I didn't know.....although I do know about the Cornwall Square Transit Terminal in Launceston.

Calling into the Devonport Visitor Centre....with respect... the Staff were uncertain of where to catch various buses.

Redline has closed its office in Edward St.....?

Tassie Link used to stop outside the previous Visitor Centre (Formby Rd).... ?

Mersey Link bus stops seem to be spread out along Rooke St.... ?

Metro Tasmania's newly proposed Express Service between Devonport and Burnie ??

One of the key elements of the Waterfront Park (the Council developed section) has provision for "Bus Shelters". It maybe that the Planners of the Living City have decided on "bus shelters" rather than a central Transit Terminal.... for these 4 bus companies.

Question 1

Does Council consider the provision of a Transit Centre as part of the "Council Developed Section" of the Waterfront Park (possibly the N.W corner of Rooke St)....as an asset and an essential part of the Living City plan?

Question 2

Do Council consider that "Bus Shelters" are really an appropriate key component of the Master Plan when Devonport is becoming a Living City" and the transport hub for the N.W ?

Christopher Mills



20th October 2019

Devonport City Council
137 Rooke Street
DEVONPORT TAS 7310

Malcolm Gardam
4 Beaumont Drive
MIANDETTA TAS 7310
(Mobile No: 0417 355 813)

ATTENTION: MR. MATTHEW ATKINS – ACTING GENERAL MANAGER (MAYOR & COUNCILLORS)

RE: LIVING CITY – GOVERNANCE AND OPERATIONAL QUESTIONS ON NOTICE (Ref. File 32161)

Dear Sir,

The following are submitted as questions on notice for the next Ordinary Meeting of Council scheduled for Monday 28th October 2019.

Q1. Living City Governance – It is disappointing that some on Council are taking Living City questions and criticism personally when in fact the issue is one of Council’s governance, especially transparency and accountability. To me the taking of matters personally in relation to a role they have willingly sought to fill is an indication of unprofessionalism on the part of the individual in not being able to focus on the issues at hand.

Since the announcement of the GM’s resignation there has also been a noticeable effort to create a public narrative that somehow the resignation was a result of actions by Councillors Murphy, Jarman and Alexiou, who are only trying to represent their constituents and the best interests of Devonport as they see it, and address the concerns of more and more concerned ratepayers who are asking questions. The new narrative is just too convenient and if three Councillors have supposedly destroyed “Camelot” then the immediate past and present Councillors controlling the vote, and particularly in Closed (secret) Sessions, should have a hard look at themselves and their attitude to not making appropriate disclosures such as details of the initial Providore Place head lease, whether rent was being paid and the reported \$250,000 rent reprieve granted just prior to the October 2018 council elections. The latter only being revealed as a result of a councillor blowing the whistle on this one.

In around April 2016 after having attend my first few DCC ordinary meetings and experienced the reluctance of Council to answer reasonable questions I made a statement during question time to the effect that “If council would just answer the questions it would save us all a lot of time and effort” and with the passing of over 3 years I suggest a lot of angst all round.

Devonport City Council has an appalling recent track record regarding transparency and has expended substantial resources in its attempts to avoid scrutiny. Since March 2016 I have witnessed:

- a litany of different approaches employed to avoid answering questions, such as non-question aligned responses, evasive responses and “the question has previously been answered” when clearly it had not;

- confidential and commercial-in-confidence offerings;
- at the April 2016 ordinary meeting (a month after approving construction) council passed a resolution that was specifically designed to limit questions in relation to Living City Stage 1;
- at the August 2017 ordinary meeting Council approved an amended Public Question Time Policy that further restricted public question time questions;
- at the August 2018 ordinary meeting Council unnecessarily passed a resolution to declare Bob Vellacott and myself difficult customers under its Difficult Customers Policy; an action, without prior notice at a public meeting, which was designed as an opportunity to grandstand and attempt to belittle and embarrass us, when the General Manager already had the power to enact the Policy and Councillors had a mandatory obligation to report difficult Customers to the General Manager;
- more recently and in my opinion an untenable abuse of Closed (secret) Session, which was initially presented on the basis that the Local Government Act prevented disclosure of all matters held in Closed Session. This is clearly false as Council has the right to disclosure such material should it wish to do so. I suggest that the immediate past and remaining Councillors who continue to support the ongoing avoidance of transparency, scrutiny and accountability, consider their part in the growing loss of ratepayer confidence in council decision making and the departure of the General Manager.

From personal experience I suggest that the oft written and occasional statements that Council is “transparent and accountable” should carry the following rider “when it can no longer hide it from the public.”

Having noted the above observations and the predicament council finds itself in (self-inflicted and totally unnecessary in my opinion) one could reasonably expect to see a meaningful change of attitude in council but instead we see a “doubling down” once again.

At the last ordinary meeting of the 23/9/19, during an unprecedented 20 minute statement relating to his take on the Auditor General’s report (Report of the Auditor-General No.1 of 2019-20) the General Manager made suggestions that *“Public Questions Time - my suggestion Mayor is that **all questions in relation to any aspect of LIVING CITY should in future be taken on notice.** Other questions on operational matters can still be answered if possible or alternatively if necessary, taken on notice. **Any future requests from the public for information relating to Providore Place matters, apart from what is determined to be released by Council, in my opinion should be requested through the statutory Right to Information process.**”* In relation to these two suggestions, which would clearly further impede those seeking information from Council, will the Mayor please answer the following as separate questions:

- a) Did I correctly recall the Mayor at the same meeting state that these suggestions were essentially being applied?
- b) Will these two suggestions from the General Manager be the subject of a motion for debate by full council during open session of an ordinary meeting so that all Councillors can publicly express their position on adopting measures that will further impede seeking information from Council?

[FOOTNOTE: With Council even considering these actions for implementation (if not already implemented by the Mayor on the 23/9/19) ratepayers seeking answers from Council can reasonably conclude that: (1) Council no longer wants Living City questions

without notice to avoid having to answer on the night but more than likely the embarrassment of its reasons for not answering; and (2) move towards Providore Place information requests being subjected to the RTI process full well knowing the process sequence is (a) submit an RTI application to Council – if application is refused then (b) request a review of the decision from Council – if review upholds the earlier refusal then (c) request a determination from the Ombudsman’s Office which again Council would know currently takes an average of 560 days and therefore effectively delays the release of any information as long as possible, if in fact after all that time the determination is to release the information]

Q2. Living City Governance - The Auditor General’s report No. 1 of 2019-20 stated in relation to the P+I Development Manager contract that there was a consideration as to *“recognition of success fee elements within the PDMA which provided an incentive for P+I to perform and protection for DCC where required outcomes were not achieved”* Accordingly, will council please answer the following as separate questions:

- a) Does Council refute there were “success fees” (incentive payments) included in the PDMA?
- b) Were “success fees” included in the \$1,993,626 payment to P+I in the 2016-17 FY?
- c) If YES what was the value of that specific “success fee” payment?

Q3. Providore Place – Initial Head Lease Agreement. In the Projects & Infrastructure Holdings Pty Ltd “Submissions and Comments” to the Auditor-General’s Report, Mr Robert Woolf stated that *“At March 2016 P+I advised “a head lease is unlikely to be achievable at this time” and “cashflow after operating expenses is not sufficient to pay both rent at this level (\$400k p.a.) and generate a significant surplus”*. Accordingly, will council please answer the following as separate questions;

- a) Considering that P+I compiled the Living City - Stage 1 Funding Implications model (dated 29th February 2016) which included the projected \$400k p.a. did this statement at the time raise any concerns on Council in relation to the validity of the budget allowances?;
- b) Noting the statement that Council’s preference was for a “head lease” just who suggested the “operating partnership” and recommended its acceptance to Council?

Q4. Providore Place – Initial Head Lease Agreement. After about 18 months of questioning Council as to whether rent was being paid by the Head Lessee of Providore Place, and Council refusing to answer, ratepayers now know as a result of recent disclosures that none had been paid. We also know that part of \$326,600 in total rent owing has been waived (\$146,600?) with \$179,000 under consideration to also waive or not by the end of this year. Council has stated that under the “new head lease” that Providore Place (Devonport) Pty Ltd (PPD P/L) will pay “all operating costs and outgoings”

Accordingly, will Council please answer each of the following as separate questions;

- a) Was it Council or PPD P/L that paid “all operating costs and outgoings” up until 30/9/19 (E.g. including but not limited to Council rates, TasWater and Aurora charges, gas, cleaning and other similar costs);

b) If Council (ratepayers) paid and/or forewent payments then what was the total value of those costs and any waived amounts due under the agreement or otherwise payable?

Q5. Providore Place – Initial Head Lease Agreement. Council has been reported as saying that the “...original lease with Providore Place Devonport Pty Ltd...” was “...based on \$280,000 a year rent.” (Adv. 13/9/19) and the Head Lessee was reported as stating that the original lease with council “specifically stated rent be paid from operational profits.” (Adv. 15/10/19) Accordingly, will Council please answer the following as separate questions:

a) Is it not a more accurate and less misleading statement to say that **the initial lease was based on a rent return of UP TO \$280,000 after all operational costs had been met?**

b) Were all Aldermen at the time of entering the Head Lease agreement for a ten (10) year Term in 2016 made aware that rent would only be paid after all operational costs were met?

Q6. Providore Place – New Head Lease Agreement. I refer to my question without notice and responses as recorded at Pg. 3 of the last Ordinary Meeting minutes:

“As the General Manager has stated no knowledge of what is in the new lease agreement will the Mayor advise specifically which councillors and specifically which senior staff negotiated the “new lease agreement” with Providore Place (Devonport) Pty Ltd?

Response

The Mayor advised that the question would be taken on notice and a response provided in writing, however the agreement was a unanimous decision of Council.

Malcolm Gardam

My question was, who negotiated the lease in the absence of the General Manager?

Mayor Rockliff

Myself and Cr Perry.”

As the Mayor has not answered all of the question and consistently obstructs the seeking of further information during question time on the night, I repeat the remainder of the question in that “.....and specifically which senior staff negotiated the “new lease agreement” with Providore Place (Devonport) Pty Ltd?”

Q7. Providore Place – New Head Lease Agreement. If the “new head lease agreement” between Devonport Council and Providore Place (Devonport) Pty Ltd “is a purely commercial arrangement” as reported, does PPD P/L still have control of the residual amount from the \$850,000 “fitout” provisional sum and can still make recommendations as to any “tenant-specific base-build requirements” as may be applied to the still vacant tenancies as part of an assumed obligation under the head lease to secure tenants?

Q8. Providore Place – Public Relations. Has Council engaged a public relations firm to provide specialist advice in relation to Council’s handling of the recently evolving Providore Place head lease revelations?

- Q9.** Waterfront Hotel and Parklands property write-downs – I previously asked a question on notice for the April 2019 meeting in relation to the capital expenditure write-down value of Lot 1.

“DCC Response 1/5/19

The land being sold to the Hotel developer is currently part of two separate land titles - the title for the site is yet to be issued. There is no intention to undertake the calculation that you are seeking at this time, this will be completed in due course in line with Council’s statutory reporting requirements.”

Assuming the land titles have been finalised with the reported sale of Lot 1 to Fairbrother I submit the following as separate questions.

- a) What is the capital expenditure write-down value for the Waterfront Precinct hotel Lot 1 land sale to Fairbrother?
 - b) What is the capital expenditure write-down value for the new Waterfront Park Lot 2 area?
- Q10.** Noting the importance of contractual arrangements to protect Council and thereby the best interests of ratepayers, and give confidence to councillors to approve the entering into of such arrangements and particularly those of a significant nature, involving significant risks, the involvement of an eminently qualified and experienced legal practitioner’s input is critical; accordingly in light of Council’s admission of no such legal involvement with the Providore Place head lease agreement between Providore Place (Devonport) Pty Ltd and Council I submit the following as separate questions on notice.
- a) Did council obtain independent legal advice regarding the nature and effect of the contents of the Waterfront Hotel preferred developer two (2) year exclusivity agreement with Fairbrother?
 - b) Did Council obtain independent legal advice regarding the nature and effect of the contents of the agreement (or amendment to the existing agreement) that provided an additional 18 month exclusivity extension to the existing two (2) year exclusivity period afforded Fairbrother Pty Ltd, which expires in October 2019; without any guarantee that a hotel will be built?

Please acknowledge receipt and ensure inclusion in full in the October meeting Agenda.

Yours sincerely,



Malcolm Gardam

CC: Mayor & Councillors

QoN RBV P West Statement to Council for 28 Oct 2019 to send

FROM - BOB VELLACOTT
11 COCKER PLACE
DEVONPORT 7310

TO- MAYOR AND COUNCILLORS
DEVONPORT CITY COUNCIL

QUESTION ON NOTICE FOR DCC MEETING 28TH OCTOBER 2019

Mayor and Councillors –

Subject – General Manager Mr Paul West's "*Statement*" to Council 23rd September 2019

Preamble –

I have been informed that the "*statement*" read by the General Manager Mr Paul West at the Council on the 23rd September 2019 was not included in the minutes of that meeting because-

"the minutes of Council and Section 23 Committee meetings only record resolutions not general discussion" (Hardly a discussion I would suggest)

Also – "*Council is not intending to release a hard copy of Mr West's Statement* "

Question 1 – Will you please inform as to the correct terminology that should be used when referring to or describing what the General Manager read at the meeting?

Question 2- Regardless of Council's own policy for recording of meetings, which may comply with the Local Government Act, I believe what Mr West said at the meeting is very important and therefore a proper record of it in the minutes should have been included for both historical and public record. Had this been done it would surely not have been in conflict with the relevant Section of the Act and it would indeed be a truer and correct recording of what took place at that meeting.

I therefore ask – Will you Mayor request the General Manager to include a copy of what he read at the meeting of the 23rd September 2019 in the Agenda for the 28th of October 2019 and that you or another councillor- move before the confirmation of the minutes of the 23rd September 2019 that they be amended to include a copy of what the General Manager read at the meeting?

Please include all of the above and your responses in the Agenda and the minutes for the 28th October 2019.

R.B. Vellacott - 21st October 2019

QoN P+i Providore Place A Gen report for 28 Oct 2019 to send

Page 1 of 2

FROM - BOB VELLACOTT- (Financial Ratepayer)
11 COCKER PLACE
DEVONPORT 7310

TO- MAYOR AND COUNCILLORS
DEVONPORT CITY COUNCIL

QUESTIONS ON NOTICE DCC MEETING OCTOBER 28TH 2019

Preamble -

The Tasmanian Auditor General's report of **September 2019** in regards to Providore Place included in its Appendix 4 submissions from Projects & Infrastructure Holdings Pty Ltd as follow:

- While a head lease of Providore Place was Council's preference, it was not a recommendation from P+i. Our advice was to defer attempts to lease space prior to completion, and Providore Place would be best managed as part of a portfolio of Council owned tourism assets, including the Devonport Entertainment & Convention Centre and new conference facilities, in-house or contracted management. The TAO report is correct the structure and returns under the lease were similar to those under a management agreement.
- At March 2016 P+i advised "a head lease is unlikely to be achievable at this time" and "cashflow after operating expenses is not sufficient to pay both rent at this level (\$400k p.a.) and generate a significant surplus".

(signed) Robert Woolf Director - P+i

On **December 7th 2016** The Advocate reported under the headline LEASE A GOOD DEAL: COUNCIL in regards to Providore Place

This article included the following statements:

"As far as the Council is concerned we've got a 10- year lease with Providore Place to run it and we're getting a good return above the independently assessed market value" Mr Atkins said

Mr Atkins also stated:

The revenue the Council received on the food pavilion was guaranteed through the head lease agreement and removed councils exposure to financial risk

"Projected food pavilion income is \$400,000 per year"

On **September 13th 2019** The Advocate reported in an article entitled "PROVIDORE'S NEW LEASE DEAL" the following:- *The original lease with Providore Place was signed in 2016 based on \$280,000 a year rent*

This statement **omitted** to include the following information published in the Advocate on **October 15th 2019** when the head lessee of Providore Place stated:

"The original lease with Council specifically stated rent to be paid from operational profits" /2

Page 2

In the Advocate of October 17th 2019 Councillor Murphy said:

"The old lease with PP should be made public and the report provided by the independent valuer"

He said it would disprove a claim by PP head lessee Grant Hirst that under the original lease rent wasn't to be paid until a profit was made.

A response from Council to the following questions is hereby sought:

Q1. Is the following statement made by Mr Hirst in the Advocate on October 15th truthful?
"The original lease with Council specifically stated rent to be paid from operational profits"

Q2. If the answer is Yes why wasn't this information disclosed by Council in the Advocate article on September 13th 2019 when it was reported:

"The original lease with Providore Place was signed in 2016 based on \$280,000 a year rent"

Q3. On what basis did the Council decide to ignore the advice of their appointed and highly paid Project Managers Projects & Infrastructure who advised against a head lease of Providore Place?

While a head lease of Providore Place was Council's preference, it was not a recommendation from P+i. Our advice was to defer attempts to lease space prior to completion, and Providore Place would be best managed as part of a portfolio of Council owned tourism assets.

Q4. What is Council's justification for deceiving rate payers by on December 7th 2016 stating:
Projected food pavilion income is \$400,000 per year when in fact it had knowledge that this was unlikely to be

Achieved?

At March 2016 P+i advised "a head lease is unlikely to be achievable at this time" and "cashflow after operating expenses is not sufficient to pay both rent at this level (\$400k p.a.) and generate a significant surplus".

Robert Woolf Director - P+i

.....

Please acknowledge receipt of this correspondence and include same in the Council's agenda and minutes for the October 28th 2019 meeting.

R.B. Vellacott 21st October 2019

QoN RBV Commercial in Confidence Agreements for 28 Oct 2019 to send

TO- THE MAYOR AND COUNCILLORS
DEVONPORT CITY COUNCIL

FROM- BOB VELLACOTT – FINANCIAL RATEPAYER
11 COCKER PLACE
DEVONPORT

QUESTIONS ON NOTICE FOR THE DEVONPORT CITY COUNCIL MEETING 28TH OCTOBER 2019

Mayor and Councillors -

SUBJECT - CLARIFICATION RE COMMERCIAL IN CONFIDENCE AGREEMENTS

Preamble – There appears to be some confusion among councillors in as much that all Council contractual agreements **must be** commercial in confidence.

I have been repeatedly told by some it is the person or contractor's right to insist on confidentiality for agreements such as for:

The Leasing - of properties including head leases

Employment of - consultants of various professions, managers, food ambassadors, architects, engineers

Purchasing- of goods and other services

Sale and purchasing of- properties

Building and construction of infrastructure

And. – including any other contract or supply:

I have been unable to find and no councillor past or present has been able to inform where in the local Government Act or relevant acts, regulations or council policies that **stipulates categorically a council** has no option and agreements must always be commercial in confidence.

Therefore I understand that Council **has an option to insist** agreements such as above are only signed on the condition of being open and transparent. ?

Of course an agreement / contract of a real personal nature or one that could be subject to litigation should be treated as confidential.

I believe by council insisting in having open agreements it is an opportunity to show and to prove that council is transparent and beyond reproach in regard to receipt of revenue /income and the expenditure of ratepayer's funds.

Recent events particularly in regard to the problems and embarrassment that arose regarding the Providore Place Devonport Pty Ltd Head Lease agreement may have been avoided had council insisted upon an open and transparent agreement.

My Question –

Can you and will you provide any information to ratepayers that prevents council from insisting that all contracts / agreements are open and transparent as listed above

Please include all of the above and Responses in the Agenda and Minutes for 28th October 2019.

R. B. Vellacott

21st October 2019

QoN RBV Police rent info 28 OCT 2019 to send

To - THE MAYOR AND COUNCILLORS
DEVONPORT CITY COUNCIL

From - BOB. VELLACOTT – FINANCIAL RATEPAYER
11 COCKER PLACE DEVONPORT

QUESTION ON NOTICE FOR DEVONPORT CITY COUNCIL MEETING 28th OCTOBER 2019

SUBJECT - Instruction to be given to the appropriate Manager to notify the appropriate authorities and police of a possible breach of the Local Government Act Section 76.- Writing off bad debts.

PREAMBLE AND RATIONALE - **FACT** - Devonport Council has waived unpaid rent under the head lease with Providore Place Devonport Pty Ltd for the premises known as Providore Place – Ref. The Advocate dated 13th & 14th September 2019.

Council should explain why Section 76 of the Local Government Act has not been breached in relation to the Providore Place Devonport Pty Ltd head lease.

Council has now entered into a new lease with the prior tenant who did not make the appropriate contracted rent payments for Providore Place. **This appears to indicate** that a majority of council **have confidence that council will receive the new rent; accordingly the Council must have reasonable expectations on receiving the new rent.**

My questions are:

1. **Why did council forgo the arrears and why is there no breach of the act?** (See appended Section 76 of the Local Government Act)
2. Will council now instruct the appropriate manager :(General Manager or Acting General Manager) to advise all of the appropriate authorities that there may have been a possible breach of the Local Government Act and if so seek that all who supported the writing off of the debt be prosecuted by the relevant authorities **and request the police to investigate the matter?**

Extract from LGA

76. Writing off bad debts

- (1) A council may write off any debts owed to the council –
 - (a) if there are no reasonable prospects of recovering the debt; or
 - (b) if the costs of recovery are likely to equal or exceed the amount to be recovered.
- (2) A council must not write off a debt unless the general manager has certified –
 - (a) that reasonable attempts have been made to recover the debt; or
 - (b) that the costs of recovery are likely to equal or exceed the amount to be recovered.

Please ensure all of the above and responses are included in the DCC Agenda for 28th November 2019

BOB VELLACOTT 21st October 2019

3.2.3 QUESTIONS WITHOUT NOTICE FROM THE PUBLIC

3.3 QUESTIONS ON NOTICE FROM COUNCILLORS

At the time of compilation of the agenda, no questions had been received from Councillors.

3.4 NOTICES OF MOTION

3.4.1 WORKSHOP - TOURISM - TRANSPORT BETWEEN PRIME TOURIST ACTIVITIES AND VENUES - NOTICE OF MOTION - CR G ENNISS

In accordance with Regulation 16(5) of the *Local Government (Meeting Procedures) Regulations 2015*, a notice of motion has been received from Councillor G Enniss.

ATTACHMENTS

Nil

MOTION

"That Council have a Workshop to explore the opportunities for family/tourist friendly public transport between our prime tourist activities/spots."

SUPPORT

Look at having a sponsored vehicle to be a catalyst to keep visitors within our area and to encourage locals to visit. Especially family friendly.

The style or type of vehicle should be unique to Devonport and create interest in its own right. Connections with the "Spirit of Devonport" ferry could also be considered.

OFFICER'S COMMENTS

Should Council accept the motion as submitted items which could be discussed at the proposed Workshop may include costs, logistics, branding, sponsorship opportunities, etc.

4.0 PLANNING AUTHORITY MATTERS

There are no items in this agenda to be considered by Council in its capacity as a Planning Authority.

5.0 REPORTS

5.1 AUDITOR-GENERAL'S REPORT

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.3.2 Provide appropriate support to elected members to enable them to discharge their functions

SUMMARY

This report is provided to assist the Council in its consideration of the Tasmanian Audit Office 'Report of the Auditor-General No. 1 of 2019-20 – Procurement in Local Government'. A full copy of the Auditor-General's Report is provided as an attachment.

BACKGROUND

Council received **confidential** formal notification from the Auditor-General on 16 March 2018, that following numerous representations made to his office, he had determined to conduct a thorough and comprehensive review and examination of the LIVING CITY project pursuant to section 23 of the *Audit Act 2008*.

Over the next 18 months, Council officers responded to all requests for information to assist the Auditor-General's enquiry. All aspects of the project were thoroughly examined with all information requested provided.

The Auditor-General provided his Report to the President of the Legislative Council and the Speaker of the House of Assembly on Thursday 19 September 2019. In releasing his Report, the Auditor-General advised:

'This Report has been prepared consequent to audits conducted under section 23(d) and 23(e) of the Audit Act 2008. The objectives of the audits were to assess:

- *The effectiveness of governance and procurement processes for Devonport Council's Living City project and its compliance with procurement requirements in the Local Government Act 1993 and the Local Government (General) Regulations 2015 and former regulations.*
- *Dorset Council's compliance with procurement requirements in the Local Government Act 1993 and Local Government (General) Regulations 2015 in relation to the extension of the Blue Derby Bike Trails.*
- *Glenorchy City Council's compliance with procurement requirements in the Local Government Act 1993 and the Local Government (General) Regulations 2015 and former regulations in response to recommendations made in the Glenorchy City Council Board of Inquiry Report November 2017'.*

In relation to the Devonport City Council the report includes:

- *Auditor-General's Independent Assurance Report*
- *Context*
- *Detailed Findings*

The audit scope covered governance and procurement processes relating to DCC's Living City project, with focus on:

- *the engagement of contractors and consultants, including compliance with DCC procurement policies and the LGA*
- *examining the commercial nature of the Project Development Management Agreement (PDMA) entered into with Projects & Infrastructure Holdings Pty Ltd (P+i), payments made under the PDMA and any amendments to the PDMA*
- *examining compliance with DCC policies and the LGA relevant to the Providore Place head lease and consideration of the commercial nature of the lease*
- *the sale of land related to the hotel development as part of Stage Two of the Living City project*
- *examining costs of the project against original and revised budgets.*

The audit covered the period from June 2013 to June 2019.

STATUTORY REQUIREMENTS

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements issued by the Australian Auditing and Assurance Standards Board, to express a reasonable assurance conclusion.

In relation to local government procurement, Sections 333A and 333B of the *Local Government Act 1993* outlines Council's statutory requirements.

DISCUSSION

The Auditor-General provided eight (8) recommendations relating to the Devonport City Council specific aspect of the review. Three (3) of the recommendations were for the State Government to consider in the context of its review of the *Local Government Act 1993*, with the other five (5) specifically for Council consideration.

It is important to note the Auditor-General did conclude that except for the matters relating to the Providore Place head lease, *'governance and procurement activities undertaken by DCC in connection with the Living City project, as measured against the audit criteria, were in all material respects performed effectively'*.

The Auditor-General considered five (5) specific issues relating to LIVING CITY and has provided detailed findings on each.

1. Did the engagement of contractors and consultants comply with DCC procurement policies and the Local Government Act?

Fourteen instances, where procurement would exceed the tender threshold under the Act, were identified. Of these fourteen instances, it was clear that Council on twelve occasions complied with its Code, the *Local Government Act* and the *Local Government Regulations*.

In relation to the two remaining procurements, the Auditor-General found that Council had applied the 'exemption' provisions allowed for under the Act. Both these procurements related to contracts with P+i Group. The first in June 2013 when the Council unanimously determined that *'extenuating circumstances applied due to the difficulty in defining the project scope'*.

The second being the PDMA (Project Development and Management Agreement). The Auditor-General's report notes *'in appointing P+i senior management at a meeting on 25 August 2014, provided a report to Council on the proposed contract and a recommendation not to seek tenders based on extenuating circumstances'*.

The Auditor-General's Report states *'in examining evidence relating to the appointment of P+i, the process followed by DCC in applying the exemptions met the procedural requirements of the Local Government Act and the Local Government Regulations. DCC documented the reasons for adopting the exemptions for each contract with P+i. Detailed reports from management were provided to Council on the matter. Council unanimously approved each recommendation'*.

In relation to Item 1, the Auditor-General provided three recommendations. The first related to Council reviewing its internal processes and procedures to ensure future compliance with annual reporting requirements in relation to tenders and contracts. In examining the Council Annual Reports from 2013 to 2018 the Auditor-General found one instance where disclosure did not comply with the Local Government Act.

The remaining two recommendations relate to strengthening the provisions of the *Local Government Act* relating to the use of the 'extenuating circumstances' provisions. Both are for the consideration of the State Government as part of its review of the *Local Government Act*.

2. Did DCC take steps to assess the commerciality of the PDMA?

The Auditor-General concluded that *"DCC had taken reasonable steps to assess the commerciality of amounts payable under the PDMA and obligations of both parties under the agreement, although the documentation of the assessment of the reasonableness of amounts payable under the contract could have been improved"*.

The Report also states: *"based on the evidence presented, DCC took reasonable steps to assess and document the basis or justification for subsequent amendment to the PDMA"*.

The Report also states: *"in reviewing all payments made to P+i, we found they were made in accordance with the PDMA"*.

A single recommendation for this section is that, in future, Council should document its assessment of the reasonableness of amounts payable under a contract.

3. Did DCC follow sound commercial and governance processes in entering into the Providore Place head lease?

The Auditor-General found that the legislative requirements on councils relating to leasing, are limited to ensuring the lease is supported by an independent valuation. The Auditor-General concluded that *"the head lease was primarily drafted by P+i and appeared to be missing a number of standard lease clauses"*.

A number of adverse findings against Council are outlined within the report relating to the Providore Place head lease including:

- *The head lease, primarily drafted by P+i, appeared to be missing a number of standard lease clauses;*
- *DCC did not obtain independent legal advice on the lease agreement prior to it being signed;*
- *The relationship risk between DCC and P+i in entering into the head lease arrangement, although acknowledged, was not adequately managed;*
- *DCC had not met good governance principles relating to transparency, equity, participation and inclusion and effective and efficient decision making.*

There are four recommendations relating to this issue including:

1. *The State Government should consider reviewing the Local Government Act and Local Government Regulations to strengthen requirements relating to the lease of property as part of the legislation review currently underway.*
2. *Council update its policies to provide guidance relating to property lease transactions.*
3. *Council amend its policies to clarify when independent legal advice should be obtained in connection with property leases.*
4. *Council review its measures to mitigate risk arising from contracts entered into where potential conflicts of interest may arise.*

4. Did DCC follow appropriate commercial and governance processes for the sale of land for the Stage 2 Hotel Development?

The Auditor-General's Report notes 'after reviewing information related to the hotel development, we were satisfied there were no further financial implications for DCC arising from the hotel development. The hotel development project and financial risk rests with Fairbrother'.

5. Did DCC adhere to its budget for Stage 1 of the LIVING CITY project?

The Auditor-General's Report notes 'our review also noted DCC and its project manager P+i adequately documented, monitored and reported the progress of the project against budget. Monthly detailed progress reports were provided to DCC on actual and budget costs. At 30 June 2019, the actual cost of the project, \$70.1M, was \$1.0M below the revised budget amount of \$71.1M'.

COMMUNITY ENGAGEMENT

There has been no community engagement specifically relating to the report of the Auditor-General. The Auditor-General, in releasing his Report, provided a briefing to the Parliament and issued a media statement.

There has been significant media interest and reporting in relation to the Auditor-General's Report.

FINANCIAL IMPLICATIONS

Recommendations provided by the Auditor-General are primarily related to policy and process improvements. The impact on the Council's finances in implementing the recommendations contained within the Report will be met from normal operational budget allocations.

RISK IMPLICATIONS

Accepting the recommendations provided within the Auditor-General's Report will adequately address any risk implications associated with the Report. Were Council to determine to ignore any of the recommendations, it may open Council up to criticism.

There has been significant community comment in relation to the Auditor-General's views on the Providore Place head lease. Council has acknowledged that the original head lease was deficient and has taken steps to address the concerns raised. A new lease agreement based on commercial terms and prepared with legal advice was adopted by Council at its meeting on 26 August 2019.

CONCLUSION

The Auditor-General's Report was 18 months in the making. With it now finally being delivered, the Council needs to consider the recommendations provided in the Report relating to its procurement processes.

It is proposed that all five (5) recommendations pertaining to Council and its policies and processes be adopted.

ATTACHMENTS

1. Report of the Auditor-General No 1 of 2019-20 Procurement in Local Government

RECOMMENDATION

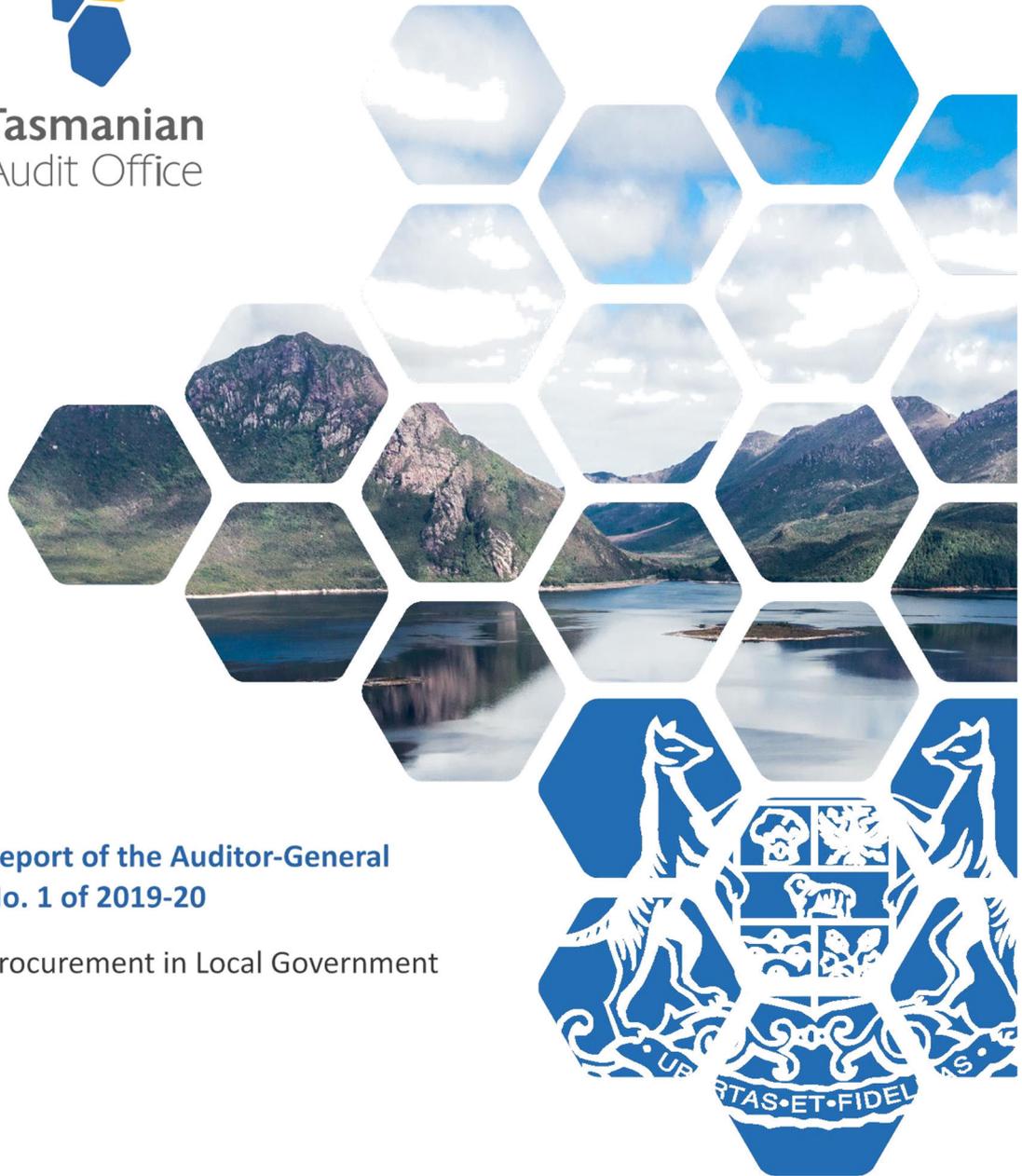
That Council in relation to the *'Report of the Auditor-General No. 1 of 2019-20 – Procurement in Local Government'* receive and note the report and that Council:

1. review internal processes and procedures to ensure future compliance with annual reporting requirements in relation to tenders and contracts;
2. agree that in future it will document its assessment of the reasonableness of amounts payable under any contract entered into;
3. update its policies to provide guidance relating to property lease transaction;
4. amend its policies to clarify when independent legal advice should be obtained in connection with property leases.
5. review its measures to mitigate risk arising from contracts entered into where potential conflicts of interest may arise.

Author:	Paul West	Endorsed By:	Paul West
Position:	General Manager	Position:	General Manager



Tasmanian
Audit Office



**Report of the Auditor-General
No. 1 of 2019-20**

Procurement in Local Government

September 2019

Strive • Lead • Excel | *To Make a Difference*

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General’s roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or ‘attest’ audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer’s Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity’s operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

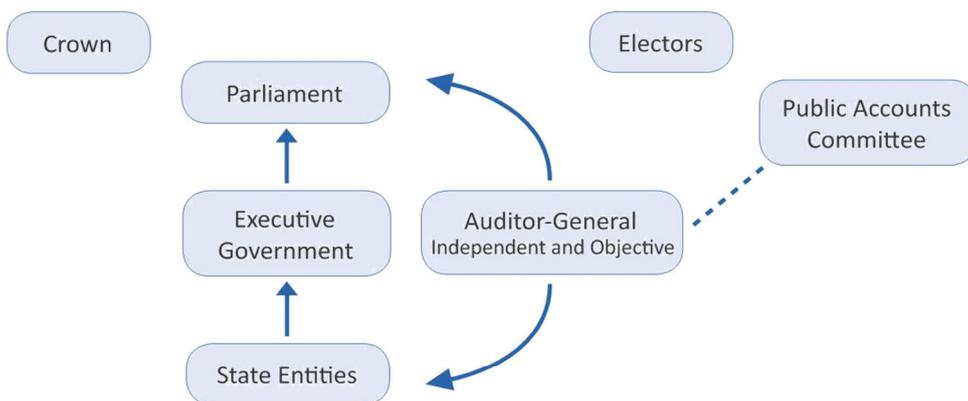
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General’s reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

THE AUDITOR-GENERAL’S RELATIONSHIP WITH THE PARLIAMENT AND STATE ENTITIES

The Auditor-General’s role as Parliament’s auditor is unique.



2019

(No. 8)



2019
PARLIAMENT OF TASMANIA

Report of the Auditor-General No. 1 of 2019-20
Procurement in Local Government

19 September 2019

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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Tasmanian Audit Office
GPO Box 851
Hobart
TASMANIA 7001
Phone: (03) 6173 0900, Fax (03) 6173 0999
Email: admin@audit.tas.gov.au
Website: www.audit.tas.gov.au

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Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

19 September 2019

Mr President
Legislative Council
HOBART

Madam Speaker
House of Assembly
HOBART

Dear Mr President
Dear Ms Speaker

REPORT OF THE AUDITOR-GENERAL

No. 1 of 2019-20: Procurement in Local Government

This Report has been prepared consequent to audits conducted under section 23(d) and 23(e) of the *Audit Act 2008*. The objectives of the audits were to assess:

- the effectiveness of governance and procurement processes for Devonport City Council's Living City project and its compliance with procurement requirements in the *Local Government Act 1993* and *Local Government (General) Regulations 2015* and former regulations
- Dorset Council's compliance with procurement requirements in the *Local Government Act 1993* and *Local Government (General) Regulations 2015* in relation to the extension of the Blue Derby Bike Trails
- Glenorchy City Council's compliance with procurement requirements in the *Local Government Act 1993* and *Local Government (General) Regulations 2015* and former regulations in response to recommendations made in the *Glenorchy City Council Board of Inquiry Report November 2017*.

Yours sincerely

A handwritten signature in black ink, appearing to read "R Whitehead".

Rod Whitehead
Auditor-General

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

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FOREWORD

The requirements for procurement by Local Government are specified in the *Local Government Act 1993* (LGA) and associated regulations. All councils are required to maintain a Code for Tenders and Contracts (Code) and comply with that Code when acquiring goods and services over the prescribed amount. The regulations provide specific exemptions from the requirement to undertake a public tender, applied by Devonport City Council (DCC) and Dorset Council. Our audits assessed the use of these exemptions. We also examined the effectiveness of governance and procurement processes relevant to DCC's Living City project.

Our examination of Glenorchy City Council (GCC) was undertaken to examine three specific recommendations addressed to the Auditor-General by the Board of Inquiry in its *Glenorchy City Council Board of Inquiry Report November 2017* (Board of Inquiry Report).

This report is structured differently to our usual reports to Parliament. This report separates each examination into individual discrete chapters and should be read as such.



Rod Whitehead

Auditor-General

19 September 2019

DEVONPORT CITY COUNCIL

AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my examination of the governance and procurement of goods and services by DCC for the Living City project.

Audit objective

The objective of the audit was to form a reasonable assurance conclusion on the effectiveness of governance and procurement processes for DCC's management of the Living City project.

Audit scope

The audit scope covered governance and procurement processes relating to DCC's Living City project, with a focus on:

- the engagement of contractors and consultants, including compliance with DCC procurement policies and the LGA
- examining the commercial nature of the Project Development Management Agreement (PDMA) entered into with Project & Infrastructure Holdings Pty Ltd (P+i), payments made under the PDMA and any amendments to the PDMA
- examining compliance with DCC policies and the LGA relevant to the Providore Place head lease and consideration of the commercial nature of the lease
- the sale of land related to the hotel development as part of Stage Two of the Living City project
- examining costs of the project against original and revised budgets.

The audit covered the period from June 2013 to June 2019.

Audit approach

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, to express a reasonable assurance conclusion.

The audit evaluated the following criteria and sub-criteria:

1. Did the engagement of contractors and consultants comply with DCC procurement policies and the LGA?
 - 1.1 Did DCC comply with the procurement principles outlined in its procurement Code and the LGA?
 - 1.2 Did DCC comply with its annual reporting requirements in relation to tenders and contracts?
 - 1.3 Did DCC establish adequate procedures for review and reporting in relation to the purchase of goods or services in circumstances where a public tender process was not used?
2. Did DCC take steps to assess the commerciality of the PDMA?
3. Did DCC follow sound commercial and governance processes in entering into the Providore Place head lease?
4. Did DCC follow appropriate commercial and governance processes for the sale of land for the Stage Two hotel development?
5. Did DCC adhere to its budget for Stage One of the Living City project?

I have conducted my reasonable assurance audit by making enquiries and performing procedures I considered reasonable in the circumstances. Evidence for the audit was primarily obtained through discussions with relevant DCC personnel and examination of documentation related to the Living City project.

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

Devonport City Council's responsibilities

The functions of a council are contained in section 20 of the LGA and include:

- to provide for the health, safety and welfare of the community
- to represent and promote the interests of the community
- to provide for the peace, order and good government of the municipal area.

In performing its functions, a council is to consult, involve and be accountable to the community. Aldermen (or Councillors) of DCC are also required to comply with a Code of Conduct that sets out standards of behaviour with respect to all aspects of their role. The Code of Conduct acknowledges the importance of high standards of behaviour in maintaining good governance and supports each Alderman's or Councillor's primary goal of acting in the best interests of the community.

In relation to procurement, sections 333A and 333B of the LGA, require DCC to maintain a Code for Tenders and Contracts and comply with that Code when acquiring goods and services. The requirements of the Code are to be consistent with the requirements of *Local Government (General) Regulations 2015* (LGR), and former regulations.

Auditor-General's responsibility

In the context of this audit, my responsibility was to express a reasonable assurance conclusion on the effectiveness of project governance and procurement processes for DCC's management of the Living City project, as evaluated against the criteria.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this audit.

Findings and recommendations

Findings and recommendations for the audit criteria are summarised below. The recommendations highlight actions DCC, the Government and the Director of Local Government should undertake or consider.

Findings and recommendations

1. Did the engagement of contractors and consultants comply with DCC procurement policies and the LGA?

1.1 Did the engagement of contractors and consultants comply with DCC procurement policies and the LGA?

- DCC undertook procurement processes that complied with its Code, LGA and LGR in awarding 12 contracts that were subject to tender requirements.
- For two procurements, DCC applied the exemption from public tender available under the LGR. The appropriateness of the use of the exemption was examined under sub criteria 1.3.
- In reviewing all significant contracts and expenditure related to Stage One of the Living City project, no evidence of invoice splitting was found.

1.2 Did DCC comply with its annual reporting requirements in relation to tenders and contracts?

- In general, DCC complied with the annual reporting requirements of the LGA and the LGR.
- One instance was found where disclosures did not comply with the LGR whereby the total value of the goods or services acquired was not disclosed.

Recommendation:

1. DCC review internal processes and procedures to ensure future compliance with annual reporting requirements in relation to tenders and contracts.

1.3 Did DCC establish adequate procedures for review and reporting in relation to the purchase of goods or services in circumstances where a public tender process was not used?

- The process followed by DCC in applying the exemptions met the procedural requirements of the LGA and LGR.
- Clarity on the use of 'extenuating circumstances' could be improved with a definition within the LGA or LGR. This would ensure councils only apply the exemption in truly exceptional circumstances.

Recommendations:

2. The Government consider reviewing the circumstances in which the exemption from public tender under the LGR can be applied, including providing a definition of extenuating circumstances.
3. The Director of Local Government consider providing guidance on minimum documentation requirements where the exemption from public tender is applied, including a requirement for detailed market research and analysis to be undertaken.

Findings and recommendations

2. Did DCC take steps to assess the commerciality of the PDMA?

- DCC had taken reasonable steps to assess the commerciality of amounts payable under the PDMA and obligations of both parties under the agreement, although the documentation of the assessment of the reasonableness of amounts payable under the contract could have been improved.
- Based on the evidence presented, DCC took reasonable steps to assess and document the basis or justification for the subsequent amendment to the PDMA in July 2016.
- Payments made to P+i were made in accordance with the terms of the PDMA.

Recommendation:

4. In negotiating a commercial contract for the supply of goods and services, in the absence of a public tender because of extenuating circumstances, DCC should sufficiently document its assessment of the reasonableness of amounts payable under the contract.

3. Did DCC follow sound commercial and governance processes in entering into the Providore Place head lease?

- DCC obtained an independent valuation for Providore Place in compliance with its obligations under the LGA. Based on the valuation obtained, the Providore Place head lease provided an appropriate commercial return to DCC.
- Evidence obtained indicated the head lease was primarily drafted by P+i and it appeared to be missing a number of standard lease clauses.
- Council advised the lease was prepared based on an agreed 'term sheet' approved by council in the knowledge that it would not be a traditional lease arrangement but more akin to a cooperative shared arrangement.
- DCC did not obtain independent legal advice on the head lease agreement prior to signing the lease.
- The close relationship risk between DCC and P+i in entering into the head lease was not adequately managed.
- A review of the governance activities undertaken by DCC prior to entering into the Providore Place head lease, found DCC had not met good governance principles relating to transparency, equity, participation and inclusion and effective and efficient decision making.

Recommendation:

5. The Government consider reviewing the LGA and LGR to strengthen requirements relating to the lease of property. Specifically, significant lease opportunities should be open to all interested market participants.
6. DCC update its policies to provide guidance relating to property lease transactions.
7. DCC amend its policies to clarify when independent legal advice should be obtained in connection with property leases.
8. DCC review its measures to mitigate risks arising from contracts entered into where potential conflicts of interest may arise.

Findings and recommendations

4. Did DCC follow appropriate commercial and governance processes for the sale of land for the Stage Two hotel development?

- DCC advertised a Request for Proposal (RFP) to progress the hotel development component of Stage Two of the Living City project. DCC sought developers willing to purchase the site, build and finance the hotel.
- DCC complied with the requirements of the LGA by obtaining an independent valuation for the site prior to the sale of land for the Stage Two hotel development.
- The sale price for the site was \$1.18m with Fairbrother responsible for required building demolition costs.
- All future hotel development project and financial risks rest with Fairbrother.

5. Did DCC adhere to its budget for Stage 1 of the Living City project?

- DCC and its project manager P+i adequately documented, monitored and reported the progress of the project against budget.
- At 30 June 2019, Stage One of the project was substantially complete. The actual cost of the project, \$70.10m, was \$1.00m below the revised budget amount of \$71.10m and compared favourably against the original budget of \$70.50m.

Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008*, a summary of findings was provided to the Minister for Local Government, DCC, and directors of P+i, Providore Place Devonport Pty Ltd (PPD) and Fairbrother Pty Ltd (Fairbrother) with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix 4.

Auditor-General's conclusion

DCC's governance and procurement processes for management of the Living City project were not effective as measured against audit criteria 3 due to DCC failing to follow sound commercial and governance processes before entering into the Providore Place head lease. This included failing to obtain independent legal advice prior to entering into the head lease and not adequately managing the relationship risk between DCC and P+i in entering into the head lease.

It is my conclusion that, except for the matters described above, governance and procurement activities undertaken by DCC in connection with the Living City project, as measured against the audit criteria, were in all material respects performed effectively.



Rod Whitehead

Auditor-General

19 September 2019

CONTEXT

Living City project

The Living City project is one of the largest urban renewal projects undertaken in regional Tasmania. Its primary objective is to transform Devonport through the creation of new retail, business/service and waterfront precincts focused on highlighting tourism, arts, food and services.

The project is expected to benefit the North West region and is estimated to generate \$250.00m in construction investment over the next decade.

DCC officially opened Stage One on 3 September 2018, representing a \$70.10m investment in Devonport which included the new multi-purpose civic building, the Paranapple Centre (Centre). The Centre accommodates a library, integrated customer service centre including Service Tasmania, a café, Devonport Online, DCC offices and an 800 seat conference centre. Stage One also included a multi-level car park and a food pavilion, known as Providore Place, to showcase the region's premium produce through restaurants, a distillery, accredited training facilities and market spaces. The Providore Place facility is approximately 1 500m², comprising five permanent tenancies, an open market space and a mezzanine floor to accommodate a cooking school and food education opportunities.

At the beginning of November 2018, the Devonport Art Gallery, Visitor Information Centre and the former Devonport Entertainment Centre relocated to an adjoining site, now known as the Paranapple Arts Centre and complete the precinct.

Stage One was a collaboration between the three tiers of government with funding provided by DCC, and the Tasmanian and Australian Governments.

Stage Two of the Living City project, known as the Waterfront Precinct comprises a hotel, residential apartments, a riverside park and a potential marina. In November 2018, DCC lodged a development application for the redevelopment of the waterfront parkland as part of Stage Two of the project.

The total value of Stage Two is estimated to be about \$50.00m. The Australian Government announced \$10.00m in funding towards the waterfront parkland with the balance largely funded by private investment.

Timeline of notable events

The following events have been highlighted due to their significance:

Date	Notable event
December 2012	DCC endorsed the Central Business District (CBD) Investment and Development Strategy. It identified the need to capitalise on Devonport's role as the retail and service hub for the region.
June 2013	DCC appointed P+i for a maximum term of 12 months to collaborate on developing the concept for CBD revitalisation.
August 2014	Living City Master Plan (Master Plan) released by DCC.
September 2014	Master Plan adopted by DCC.
September 2014	DCC entered into a four year contract with P+i, without seeking tenders, to progress the concepts in the Master Plan into detailed plans and manage the development to completion.
March 2016	DCC adopted a funding model and plans for Stage One.
June 2016	Construction work on Stage One commenced.
July 2016	Council confirmed the construction of Providore Place and entered into an agreement with PPD.
August 2017	DCC approved Fairbrother as the preferred proponent to progress the Stage Two hotel development.
October 2017	DCC and Fairbrother signed a Memorandum of Understanding (MOU) for the purchase of the land and development, financing and construction of the hotel.
December 2017	Practical completion of the multi-level car park and Providore Place. The multi-level car park commenced operations.
July 2018	Rental payments under the head lease for Providore Place were to commence.
August 2018	Practical completion of the Paranaple Centre.
September 2018	Official opening of Stage One.
December 2018	Development Application for Stage Two approved.
January 2019	Construction of Stage Two commenced.

Governance and compliance requirements

DCC's Model Code of Conduct Policy articulates the principles of good governance required of the Aldermen (Councillors) of DCC. In adopting the Code of Conduct, Aldermen (Councillors) commit to being:

- Accountable – Explain, and be answerable for, the consequences of decisions made on behalf of the community.
- Transparent – Ensure decision making processes can be clearly followed and understood by the community.
- Law-abiding – Ensure decisions are consistent with relevant legislation or common law, and within the powers of local government.
- Responsive – Represent and serve the needs of the entire community while balancing competing interests in a timely, appropriate and responsive manner.
- Equitable – Provide all groups with the opportunity to participate in the decision making process and treat all groups equally.
- Participatory and inclusive – Ensure that anyone affected by or interested in a decision has the opportunity to participate in the process for making that decision.
- Effective and efficient – Implement decisions and follow processes that make the best use of the available people, resources and time, to ensure the best possible results for the community.
- Consensus oriented – Take into account the different views and interests in the community, to reach a majority position on what is in the best interests of the whole community, and how it can be achieved.

In relation to procurement, sections 333A and 333B of the LGA, provide requirements for a council relating to tenders and contracts for goods and services. This includes maintaining a Code for Tenders and Contracts and complying with that Code when acquiring goods and services. The requirements of the Code are to be consistent with the requirements of the LGR. The Code governs how DCC is to procure goods and services including the need to obtain quotes or tenders.

The Code has specific procurement principles ensuring:

- Open and effective communication - transparent and open purchasing processes.
- Value for money - procurement at the most competitive price available, but value for money does not mean buying at the lowest price.
- Enhancement of the capabilities of the local business industry - engaging local markets.
- Ethical behaviour and fair dealing - promote procurement practices that are legal, ethical, fair and unbiased.

Further details of the legislative requirements under the LGA and LGR are included in Appendix 1. Further details on the procurement principles, taken from a Local Government Association of Tasmania guide - *Code for Tenders and Contracts*, are included in Appendix 2.

DETAILED FINDINGS

1. Did the engagement of contractors and consultants comply with DCC procurement policies and the LGA?

1.1 Did DCC comply with the procurement principles outlined in its procurement Code and the LGA?

In assessing whether DCC complied with the procurement principles outline in its procurement Code and the LGA we:

- examined Living City project costs for vendors with expenditure greater than \$100 000 covering the period from June 2013 to February 2019. This period represented all construction costs to practical completion of Stage One of the project. We identified whether good and services procured were subject to public tender
- determined whether DCC applied the exemption from public tender available under the LGR to any of the procurements
- examined whether the selected procurements were subsequently varied, and if so, were those variations appropriately approved
- reviewed all significant contracts and expenditure to assess whether there was any evidence of invoice splitting.

We identified 14 instances where a procurement exceeded the threshold requiring tenders. For 12 of these procurements, DCC had undertaken a procurement process that complied with its Code, LGA and LGR. The largest contract awarded related to the construction component of the Living City development, which was awarded to Fairbrother with a tender of \$59.00m. The tender process was subject to an external probity review, using external lawyers as probity advisors.

For the two remaining procurements, DCC applied the exemption from public tender available under the LGR. We examined the appropriateness of the use of the exemption under sub-criteria 1.3.

Of the contracts reviewed, we found one instance where there was a subsequent variation to the contract amount. In July 2017, DCC endorsed a fee reduction to the PDMA with P+i. Based on our review of the relevant DCC minutes, the amendment did not place additional procurement obligations on DCC.

In reviewing all significant contracts and expenditure related to Stage One of the Living City project, no evidence of invoice splitting was found.

1.2 Did DCC comply with its annual reporting requirements in relation to tenders and contracts?

We reviewed DCC's tender and contract disclosure in annual reports covering 30 June 2013 to 30 June 2018. Based on the requirements of the LGR, we expected DCC to report details of contracts entered into during each year for the supply or provision of goods and or services valued at or above the legislated prescribed amount. In addition, DCC was to report all instances where the non-application of the public tender process applied.

Generally, DCC had complied with the annual reporting requirements of the LGA and the LGR.

We found one instance where disclosure did not comply with the LGR. This related to disclosure of annual payments made under the PDMA rather than the required total value of the contracted goods or services. DCC advised a total contract amount was not disclosed because of the variable components of the agreement. Details of this contract are included under criteria 2.

Recommendation

1. DCC review internal processes and procedures to ensure future compliance with annual reporting requirements in relation to tenders and contracts.

1.3 Did DCC establish adequate procedures for review and reporting in relation to the purchase of goods or services in circumstances where a public tender process was not used?

Where DCC relied upon the exemption from public tender available under the LGR, we expected DCC would have appropriately documented:

- its decisions to procure without seeking public tenders
- how it had ensured it had obtained value for money
- how it managed any conflicts of interest in relation to the decision.

As noted under sub-criteria 1.1, we identified two contracts where DCC applied the exemption from public tender. The first contract related to the engagement of P+i in June 2013 to provide consultancy services for the development of a plan for the revitalisation of the CBD. P+i was paid a total of \$0.24m in fees under the contract. In appointing P+i, DCC unanimously resolved on 17 June 2013:

'... that owing to the fact that extenuating circumstances in the form of the speciality of services and skills necessary to perform the relevant tasks of the project on behalf of Council and the difficulty in defining the project scope, that tenders not be called in accordance with Council's Code of Tenders and Contracts, Local Government Act 1993 and Local Government (General) Regulations 2005.'

Following finalisation of the Master Plan for the Living City project, a second contract was entered into by DCC with P+i on 9 September 2014. DCC engaged P+i under the PDMA to deliver the recommendations from the Master Plan. DCC paid P+i \$5.26m in total over the four year period of the contract.

In appointing P+i, senior management at a meeting on 25 August 2014, provided a comprehensive report to Council on the proposed contract and a recommendation not to seek tenders. The report considered statutory requirements, services to be provided, and financial and risk implications. The report concluded:

'Both extenuating circumstances and the unavailability of competitive or reliable tenderers apply to the proposed Project and Development Management Agreement with (the contractor) and therefore a tender process is not considered the best outcome for Council.'

In reviewing the appointments, we enquired into any pre-existing relationships between DCC and P+i to determine if a conflict of interest may have existed. Responses provided by DCC and our review of Council Minutes and declared interests did not identify any pre-existing relationship or potential conflicts of interest before the initial contract in June 2013.

In examining evidence related to the appointment of P+i, the process followed by DCC in applying the exemptions met the procedural requirements of the LGA and LGR. DCC documented the reasons for adopting the exemption for each contract with P+i. Detailed reports from management were provided to Council on the matter. Council unanimously approved each recommendation.

Determining a legal interpretation of the term 'extenuating circumstances' is difficult. The use of the term in the LGR does not accord with its usual legal meaning, 'to diminish the seriousness of criminal conduct'. In attributing a meaning, it is reasonable to surmise a reference to 'extenuating circumstances' may be considered an exceptional circumstance. Clarity on the use of 'extenuating circumstances' could be improved with a definition within

the LGA or LGR. This would ensure councils only apply the exemption in truly exceptional circumstances.

Recommendations

2. The Government consider reviewing the circumstances in which the exemption from public tender under the LGR can be applied, including providing a definition of extenuating circumstances.
3. The Director of Local Government consider providing guidance on minimum documentation requirements where the exemption from public tender is applied, including a requirement for detailed market research and analysis to be undertaken.

2. Did DCC take steps to assess the commerciality of the PDMA?

As noted under sub-criteria 1.3, DCC did not seek tenders before entering into the PDMA with P+i. Based on the quantum of the estimated costs payable to P+i under the PDMA, we expected DCC would have:

- taken reasonable steps to assess the commerciality of amounts payable and obligations of both parties under the agreement, and documented the outcomes of those assessments
- taken reasonable steps to assess the basis or justification for subsequent amendments to the agreement, and documented the outcomes of those assessments
- ensured payments made to P+i were consistent with the terms of the agreement.

DCC entered into the PMDA with P+i in September 2014 following a lengthy negotiation process with P+i to finalise the terms of the agreement. The PDMA was a 4-year agreement which required P+i to manage the implementation of Stage One of the Master Plan and provide assistance in developing Stages Two and Three. The agreement included a number of specific and separate services, including:

- Development management – a monthly retainer of \$0.05m was to be paid for a maximum of two years. P+i was responsible for managing all aspects of the development including progressing the Master Plan through to completion of Stage One.
- Financial modelling – P+i prepared a detailed financial model incorporating project costs and revenues, including land acquisition/lease, infrastructure services, and other transaction costs. The model was used to determine project funding requirements and to test viability in relation to various sensitivities.
- Packaging and arranging of financing – P+i was responsible for arranging the financing for Stage One including the re-financing DCC's existing debt.
- construction management – P+i was to procure the construction contractor and manage delivery of the project.
- Retail tenant negotiations – P+i was to secure retail tenants for the food pavilion.

The PDMA included fixed and variable payment components linked to specific outcomes in the project. At the time of entering the agreement, preliminary estimated costs payable to P+i for works related to the multi-purpose civic building ranged between \$3.90m and \$4.80m. The final amount payable under the PDMA, in connection with the multi-purpose civic building, was to be determined on the completion of specific deliverables.

The decision to enter into the PDMA with P+i was considered by Council on 25 August 2014. Our examination of the process leading to the engagement of P+i for project development management services, which included inspection of documentation relating to the negotiation of the PDMA and Council meeting papers, indicated DCC had considered the commerciality of the agreement. This included consideration of:

- the nature of the PMDA and services to be provided under the agreement
- the experience and calibre of P+i staff to provide the services
- the reasonableness of the total estimated fee as a percentage of the total project cost, which included consideration of project development management fees as published on the Australian Institute of Architects website at that time
- recognition of success fee elements within the PDMA which provided an incentive for P+i to perform and protection for DCC where required outcomes were not achieved
- legal advice relating to terms and conditions within the PDMA.

We concluded DCC had taken reasonable steps to assess the commerciality of amounts payable under the PMDA and obligations of both parties under the agreement, although the documentation of the assessment of the reasonableness of amounts payable under the contract could have been improved.

During the development management phase of Stage One, DCC renegotiated the terms of the PDMA to realign costs with the scope of the final construction plans for the multi-purpose building, car park, food pavilion and market square. The scale of Stage One increased from that envisaged at the time of drafting the original PDMA. Consequently, the percentage based incentive fee became arguably excessively inflated in relation to the extra work involved. The amended PDMA changed DCC's financial commitment to some of the variable components. Council, at its July 2016 meeting, endorsed the revised PDMA. The amended PDMA reduced DCC's estimated costs from approximately \$7.00m, based on final scope of the project, to around \$5.80m, primarily through savings in:

- packaging and arranging finance, as the percentage payable was lowered from 1.5% to 1.0% of the amount financed, saving \$0.30m
- construction management, with the initial remuneration of 3.0% of construction costs changed to a fixed amount of \$1.50m, which approximated 2.6% of construction costs, a saving of approximately \$0.20m. The percentage share of contingency savings payment also reduced from 50% to 33%, a saving of \$0.40m.

Based on the evidence presented, DCC took reasonable steps to assess and document the basis or justification for the subsequent amendment to the PDMA. By the completion of the contract in October 2018, DCC had paid P+i a total of \$5.26m.

In reviewing all payments made to P+i, we found they were made in accordance with the terms of the PDMA.

Recommendation

4. In negotiating a commercial contract for the supply of goods and services, in the absence of a public tender because of extenuating circumstances, DCC should sufficiently document its assessment of the reasonableness of amounts payable under the contract.

3. Did DCC follow sound commercial and governance processes in entering into the Providore Place head lease?

On 1 November 2016, DCC finalised a head lease agreement with PPD for Providore Place. In entering into the lease, we expected DCC would have:

- considered and complied with applicable policies and legislation
- assessed the commerciality of the leasing arrangement
- undertaken appropriate governance activities.

DCC owns Providore Place and initially envisaged managing individual tenancies within the facility. In April 2016, following an approach from P+i, DCC considered whether it should enter into a head lease with P+i. Advantages of a head lease arrangement included:

- tenancy risk transfer to a third party
- removal of DCC from operational responsibility
- certainty of income for DCC from a long-term lease
- a secure long-term lease would simplify any future sale.

Council also identified disadvantages of entering into the head lease, such as the possible loss of income if the facility achieved full tenancy and the public perception of entering into a head lease with P+i. Council also acknowledged the benefit of engaging an independent agent to undertake negotiations with P+i to determine if a suitable head lease could be agreed.

In May 2016, Council obtained an independent expert valuation of possible rental returns for both the head lease and individual tenancies. The valuer noted a material discount to the aggregate net market rental value of the respective tenancies relative to the net market rental value subject to a head lease. The valuer stated the margin was considered appropriate for profit and risk.

On 25 July 2016, Council decided to confirm the construction of Providore Place and enter into an agreement with PPD, a company in which P+i had a 50% direct ownership interest, to operate the facility. Key terms of the agreement were:

- an initial 10 year term, with two five-year extension periods
- a fixed base rental, \$0.28m per annum
- a 70% share of any surplus after payment of the base rent and agreed operating expenses, up to a further \$0.12m per annum
- a 30% share of any profits after payment of the base rent and the additional \$0.12m.

We reviewed DCC's leasing policy and the LGA to determine the requirements DCC needed to comply with when entering a lease of this type. DCC's policy was silent on property leases. We noted section 177(2) of the LGA states:

'Before a council sells, leases, donates, exchanges or otherwise disposes of any land, it is to obtain a valuation of the land from the Valuer-General or a person who is qualified to practise as a land valuer under section 4 of the Land Valuers Act 2001.'

DCC obtained an independent valuation for Providore Place in compliance with its obligations under the LGA. Based on the valuation obtained, the Providore Place head lease agreement provided an appropriate commercial return to DCC. The valuation was based on expected rental of the building as owner, with a separate entity holding the head lease.

The legislative requirements on councils related to leasing, appear to be limited to ensuring the lease amount is supported by an independent valuation. This leasing arrangement indicated deficiencies in the current requirements. In particular, DCC was not required to

open the leasing opportunity to other interested participants. Given the long-term nature of some leasing agreements, further guidance in the LGA or LGR would assist councils considering undertaking these activities.

Evidence obtained by us indicated the head lease was primarily drafted by P+i and it appeared to be missing a number of standard lease clauses. Council advised the lease was prepared based on an agreed 'term sheet' approved by Council in the knowledge that it would not be a traditional lease arrangement but more akin to a cooperative shared arrangement DCC did not obtain independent legal advice on the lease agreement prior it being signed.

DCC entered into the head lease with PPD knowing:

- the existing relationship with P+i exposed the Council to potential public criticism for not engaging in an open market process for the food pavilion operations
- potential conflicts in future decision making could arise given P+i's development management role.

Despite these risks, the manner in which the lease agreement was entered into indicated Council did not exercise appropriate governance over the arrangement, and did not adequately manage the close relationship risk with P+i and PDD.

In examining the governance activities around the establishment of the head lease, the application of DCC's Model Code of Conduct Policy and principles of good governance, we found:

- the head lease, primarily drafted by P+i, appeared to be missing a number of standard lease clauses
- DCC did not obtain independent legal advice on the lease agreement prior to it being signed
- the relationship risk between DCC and P+i in entering into the head lease arrangement, although acknowledged, was not adequately managed
- DCC had not met good governance principles relating to transparency, equity, participation and inclusion and effective and efficient decision making.

We have further noted that on 24 September 2018, Council approved a variation to the lease to defer the payment of rent by PPD from 1 July 2018 to 1 February 2019, due to delays in finalising fit outs for tenancies. As at 30 August 2019, PPD was in dispute with DCC over the Providore Place head lease agreement and its rental liability.

DCC sought legal advice and was assessing its position. As at 30 August 2019, DCC had only received minimal rent for Providore Place, with the matter currently subject to arbitration.

Recommendations

5. The Government consider reviewing the LGA and LGR to strengthen requirements relating to the lease of property. Specifically, significant lease opportunities should be open to all interested market participants.
6. DCC update its policies to provide guidance relating to property lease transactions.
7. DCC amend its policies to clarify when independent legal advice should be obtained in connection with property leases.
8. DCC review its measures to mitigate risks arising from contracts entered into where potential conflicts of interest may arise.

4. Did DCC follow appropriate commercial and governance processes for the sale of land for the Stage Two hotel development?

In April 2017, DCC advertised a RFP to progress the hotel development component of Stage Two of the Living City project. DCC sought developers willing to purchase the site, build and finance the hotel. The land for the hotel was made available by the relocation of department store Harris Scarfe to the Council's former temporary offices at 17 Fenton Way.

In seeking RFPs we expected DCC would have:

- complied with its policies and the LGA (refer to Appendix 3) in seeking RFPs to purchase and develop the site
- ensured the sale of land for the development met DCC's valuation expectations
- appropriately assessed financial implications for DCC arising from the development
- ensured the development application was consistent with stated objectives and vision for the Living City project.

RFP submissions closed on 30 June 2017, with five submissions received. None of the submission fulfilled all the requirements of the RFP. At a Council meeting in August 2017, DCC considered options to move the hotel development forward. DCC could sponsor the project, seek finance, secure an operational contract and construct the hotel or nominate a preferred proponent. Given DCC's other financial commitments and the submission provided by Fairbrother, who was the only proponent to demonstrate the capacity to construct the hotel, Fairbrother was approved as the preferred proponent. DCC authorised the General Manager to negotiate suitable terms for the appointment of Fairbrother.

In October 2017, DCC and Fairbrother signed a MOU for the purchase of the land, development, financing and construction of the hotel. The MOU appointed Fairbrother as responsible for the operations on completion of construction. DCC was required to demolish existing buildings on part of the hotel development site to prepare the site for sale.

Under section 177(2) of the LGA:

'Before a council sells, leases, donates, exchanges or otherwise disposes of any land, it is to obtain a valuation of the land from the Valuer-General or a person who is qualified to practise as a land valuer under section 4 of the Land Valuers Act 2001.'

In August 2018, DCC obtained an independent expert valuation for the site of the hotel development, based on a greenfield site (site cleared of existing building improvements). The valuation, based on market value with vacant possession, was \$1.45m. Notwithstanding the market valuation, the valuer noted a degree of volatility in prices in the property market which was influenced by the particular circumstances of purchasers and vendors. Having regard to this price volatility, the valuer considered an appropriate range of values for the property to be between \$1.35m and \$1.55m.

In December 2018, DCC entered into an agreement with Fairbrother to sell the land for the hotel development site for \$1.18m, on the condition Fairbrother complete building demolition work for DCC. The sale agreement provided, in the event of the termination of the sale agreement, Fairbrother would receive a maximum payment of \$0.17m in respect of any demolition costs incurred. The implied value of the land sold for the hotel development was \$1.35m, which was within the valuation range advised by the valuer.

DCC had complied with the section 177(2) of the LGA by obtaining an independent valuation for the site, based on a greenfield site, prior to the sale.

The contract for the sale of the site included conditions requiring Fairbrother to lodge a development application for the hotel that was substantially the same as the Master Plan specifications. In November 2018, Fairbrother lodged a development application for a \$35.00m hotel and apartment complex, which will include 137 hotel rooms and 12 residential apartments on the top two floors.

Advice from DCC indicated the development application process provided DCC a mechanism to ensure consistency with the stated objectives and vision for the Living City project. DCC will monitor construction through its current building and development processes.

After reviewing information related to the hotel development, we were satisfied there were no further financial implications for DCC arising from the hotel development. The hotel development project and financial risks rest with Fairbrother.

5. Did DCC adhere to its budget for Stage One of the Living City project?

We examined information relating to the Stage One budget to determine whether the final cost of the project was in line with the original budget and whether revisions to the budget were documented, monitored and approved by DCC.

The financial model for Stage One was developed by P+i under the PDMA. The model detailed information related to capital expenditure, funding the development and forecasts of the financial impact for DCC. In March 2016, DCC adopted the model.

The original budget for the project was \$70.50m, to be funded by Tasmanian and Australian Government grants, \$10.50m and \$10.00m respectively, DCC's cash reserves, \$11.00m, and borrowings of \$39.00m.

In March 2017, approval was provided by DCC to increase the budget to \$71.10m, due to additional scope associated with the fit-out of the LINC facility of \$1.50m (fully funded by the Tasmanian Government), offset by identified savings in the project of \$0.90m.

At the date of this Report, Stage One was substantively complete, with only the finalisation of the fit-out of Providore Place still pending. Expected future cost are expected to be minimal.

Our review also noted DCC and its project manager P+i adequately documented, monitored and reported the progress of the project against budget. Monthly detailed progress reports were provided to DCC on actual and budget costs.

The following table provides a summary of the original budget, revised budget and actual expenditure by facility:

Expenditure	Original Budget	Revised Budget	Actual to June 2019
Paranple centre	\$45.30m	\$45.90m	\$45.60m
Car park	\$14.60m	\$14.60m	\$14.00m
Food pavilion and market square	\$10.60m	\$10.60m	\$10.50m
Total	\$70.50m	\$71.10m	\$70.10m

Financial information sourced from DCC internal project reports

At 30 June 2019, the actual cost of the project, \$70.10m, was \$1.00m below the revised budget amount of \$71.10m. This was mainly due to cost savings on the construction and fit-out of the Paranple centre.

The following table provides a summary of the original budget, revised budget and actual funding by funding source:

Expenditure	Original Budget	Revised Budget	Actual to June 2019
Australian Government	\$10.00m	\$10.00m	\$10.00m
Tasmanian Government	\$10.50m	\$12.00m	\$13.00m
DCC – cash reserves	\$11.00m	\$11.00m	\$13.30m
DCC – borrowings	\$39.00m	\$38.10m	\$33.80m
Total	\$70.50m	\$71.10m	\$70.10m

Financial information sourced from DCC internal project reports

DORSET COUNCIL

AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my examination of the procurement of goods and services by Dorset Council in relation to the Blue Derby Bike Trails.

Audit objective

The objective of the audit was to form a reasonable assurance conclusion on Dorset Council's compliance with its procurement policies and reporting obligations under its Code, the LGA and LGR relating to work to extend the Blue Derby Bike Trails (the requirements).

Audit scope

The audit scope covered the contract entered into between Dorset Council and World Trail Pty Ltd (World Trail) in July 2017 and reporting obligations under regulation 29 of the LGR for the financial year ended 30 June 2018.

Audit approach

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100) issued by the Australian Auditing and Assurance Standards Board, to express a reasonable assurance conclusion.

The audit evaluated the following criteria:

1. Did Dorset Council comply with its Code, the LGA and LGR in awarding the contract for Stage Two of the Blue Derby Bike Trails to World Trail?
2. Did Dorset Council comply with its annual reporting requirements relating to the contract for Stage Two of the Blue Derby Bike Trails?

ASAE 3100 requires that I plan and perform my procedures to obtain reasonable assurance about whether Dorset Council has complied, in all material respects, with the requirements as evaluated against the audit criteria.

An assurance engagement to report on Dorset Council's compliance with the requirements involves performing procedures to obtain evidence about the activity and controls implemented to meet the requirements. The procedures selected depend on my judgement, including the identification and assessment of risks of material non-compliance with the requirements, as evaluated against the audit criteria.

I have conducted my reasonable assurance audit by making such enquiries and performing such procedures I considered reasonable in the circumstances. Evidence for the audit was primarily obtained through discussions with relevant Dorset Council personnel and examination of documentation related to the development of Blue Derby Bike Trails and Dorset Council's Annual Reports.

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

Dorset Council's responsibilities

Dorset Council was responsible for ensuring the procurement of goods and services and reporting of contracts and tenders was undertaken in compliance with its Code, the LGA and LGR.

Auditor-General's responsibility

In the context of this audit, my responsibility was to express an opinion on Dorset Council's compliance, in all material respects, with its Code, the LGA and LGR relating to processes to extend the Blue Derby Bike Trails, as evaluated against the criteria. Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this audit.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the requirements may occur and not be detected. A reasonable assurance engagement does not provide assurance on whether compliance with the requirements will continue in the future.

Findings and recommendations

Findings and recommendations for the audit criteria are summarised below. The recommendations highlight actions that Dorset Council and the Government should undertake or consider.

Findings and recommendations

1. Did Dorset Council comply with its Code, the LGA and LGR in awarding the contract for Stage Two of the Blue Derby Bike Trails to World Trail?

- The procurement process followed by Dorset Council in applying the exemption met the procedural requirements of the LGA and LGR.
- Clarity on the use of 'extenuating circumstances' could be improved with a definition within the LGA or LGR. This would ensure councils only apply the exemption in truly exceptional circumstances.
- The extension clause included in the contract for Stage Two by Dorset Council, if used, would contravene the LGA.

Recommendation:

1. The Government consider reviewing the circumstances in which the exemption. From public tender under the LGR can be applied, including providing a definition of extenuating circumstances.
2. Dorset Council should not use the extension clause included in the Stage Two contract with World Trail.

Findings and recommendations**2. Did Dorset Council comply with its annual reporting requirements relating to the contract for Stage Two of the Blue Derby Bike Trails?**

- Dorset Council did not fully comply with its reporting obligations under regulation 29 - Annual reporting requirements in relation to tenders and contracts, as it failed to disclose the application of the exemption under regulation 27(i) in awarding the contract and did not provide a brief description of the reason for the exemption.

Recommendation:

3. Dorset Council review its internal processes and procedures to ensure future compliance with the annual reporting requirements of the LGR.

Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008*, a summary of findings was provided to the Minister for Local Government, Dorset Council and directors of World Trail with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix 4.

Auditor-General's conclusion

In my opinion, Dorset Council complied, in all material respects, with its Code, the LGA and LGR relating to processes to extend the Blue Derby Bike Trails, as evaluated against the criteria.



Rod Whitehead

Auditor-General

19 September 2019

CONTEXT

Blue Derby Bike Trail contracts

In 2013, Dorset Council received \$2.45m in funding from the Australian Government's Community Development Grant Program for the development of mountain bike trails near Derby and Weldborough, later named the Blue Derby Bike Trails. Other funding from a partnership of local stakeholders increased the total budget to \$3.10m, making it the largest project of this kind in Australia.

Following a public tender process, in November 2013 Dorset Council awarded World Trail a contract to develop and construct the Blue Derby trails network (for the purpose of this Report, this will be referred to as Stage One). Construction commenced in April 2014, with 80 kilometres of trails completed in June 2016. In February 2015, Dorset Council officially opened the trails, with subsequent openings of completed trails completed by October 2016. In mid 2017, additional Tasmanian Government funding of \$0.80m was received to extend the Blue Derby Bike Trails, with Dorset Council contributing \$0.70m towards the project.

In July 2017, Dorset Council awarded the contract, with an estimated cost of \$1.40m, for the extension of the Blue Derby mountain bike trails to World Trail without seeking tenders (identified as Stage Two). The new contract resulted in the construction of 35 kilometres of new trails, which opened in November 2018, at a cost of \$1.60m.

In their meeting of 17 July 2017, Dorset Council by an absolute majority, applied the exemption from seeking public tenders. Specifically, Dorset Council relied on the LGR and its own Code, noting:

'That the contract for the design and construction of stage 2 of the Derby MTB trail network be exempt from the normal Council tender process in accordance with:

- a. Regulation 27 of the Local Government (General) Regulations 2015 because of extenuating circumstances and the unavailability of competitive and reliable tenders; and*
- b. Section 4 (h) of the Dorset Council Code for Tenders and Contracts where the original product or service has been selected through an open tender process and the request for exemption relates to the proposed purchase of an upgrade or addition to the existing system, and there are limited supply options.'*

The contract included the following extension clause:

The Council may, at the discretion of the Council and subject to the contractor's acceptance, extend this contract on the same terms and conditions as this Contract (except the Contract Sum is to be increased by reference to any increase in the Consumer Price Index (all groups Hobart) between the date of this Contract and the Date of any extension of it) if the Council requires additional trails or features at the Site in order to cater for the Site hosting mountain bike events including but not limited to Enduro World Cup Series events, Crank Works events, a round of the Australian Mountain Bike Series or if the Council raises additional funding to expand the trails at the Site.

Dorset Council indicated the extension clause provided it with options for further additions to the trail network. Dorset Council referenced regulation 23(5) *Public Tenders* of the 2015 LGR (refer to Appendix 1) to substantiate the inclusion of the extension clause.

Compliance requirements

The LGA requires Dorset Council to maintain a Code relating to tenders and contracts that is consistent with the LGA and LGR. This governs how Dorset Council is to procure goods and services including the need to obtain quotes or tenders.

The Code has specific procurement principles ensuring:

- Open and effective communication - transparent and open purchasing processes
- Value for money - procurement at the most competitive price available, but value for money does not mean buying at the lowest price
- Enhancement of the capabilities of the local business industry - engaging local markets
- Ethical behaviour and fair dealing - promote procurement practices that are legal, ethical, fair and unbiased.

Further details of the legislative requirements under the LGA and LGR are included in Appendix 1. Further details on the procurement principles, taken from the Local Government Association of Tasmania guide, are included in Appendix 2.

DETAILED FINDINGS

1. Did Dorset Council comply with its Code, the LGA and LGR in awarding the contract for Stage Two of the Blue Derby Bike Trails to World Trail?

In assessing Dorset Council's compliance with its procurement policies, Code, LGA and LGR in awarding the contract for Stage Two of the Blue Derby Bike Trails to World Trail, we expected to find the:

- basis for applying the exemption from public tender in accordance with the requirements of the LGA and LGR
- basis for applying the exemption from public tender in accordance with the requirements of its own procurement policies and Code
- inclusion of an extension clause in the contract for Stage Two would be in compliance with the LGA and LGR.

We examined relevant documentation, including council Minutes, and made enquiries of Dorset Council on the process undertaken in granting the exemption to assess whether this was undertaken in accordance with the Code, the LGA and LGR. The process followed by Dorset Council in applying the exemption met the procedural requirements of the LGA and LGR. Dorset Council considered World Trail were the only constructor of mountain bike trails able to deliver the standard required at Derby. This was based on the initial tender process for Stage One track construction and Dorset's view of the unavailability of competitive and reliable tenders.

In adopting the exemptions, Dorset Council relied on extenuating circumstances. Determining a legal interpretation of the term 'extenuating circumstances' is difficult. The use of the term in the LGR does not accord with its usual legal meaning, 'to diminish the seriousness of criminal conduct'. In attributing a meaning, it is reasonable to surmise a reference to 'extenuating circumstances' may be considered an exceptional circumstance. Clarity on the use of 'extenuating circumstances' could be improved with a definition within the LGA or LGR. This would ensure councils only apply the exemption in truly exceptional circumstances.

We consider Dorset Council met the procedural requirements of the Code, the LGA and LGR.

We reviewed the extension clause included in the contract for Stage Two. Dorset Council included the clause under regulation 23(5) of the 2015 LGR which states:

- 'A council may extend a contract entered into by tender*
(a) as specified in the contract; or
(b) if the contract does not specify extensions, by an absolute majority.'

In our opinion, regulation 23 is not applicable, as Dorset Council did not enter into the contract for Stage Two through an open tender. In addition, extension clauses in contracts are generally used for the extension of various factors associated with existing goods or services being provided under the contract and not for the provision of new goods and services. Were Dorset Council to apply the extension clause to future contracts, they would be in contravention of the LGA and potentially invalid.

Recommendations

1. The Government consider reviewing the circumstances in which the exemption under the LGR can be applied, including providing a definition of extenuating circumstances.
2. Dorset Council not use the extension clause included in the Stage Two contract with World Trail.

2. Did Dorset Council comply with its annual reporting requirements relating to the contract for Stage Two of the Blue Derby Bike Trails?

We examined Dorset Council's Annual Report for the financial year ended 30 June 2018, and reviewed the disclosures made in relation to the contract awarded to World Trail for the construction of Stage Two, as required by the LGR.

Dorset Council disclosed contract information in the Annual Report, however it failed to comply with regulation 29(2) by not disclosing the application of the exemption under regulation 27(i) in awarding the Stage Two contract.

Recommendation

3. Dorset Council review its internal processes and procedures to ensure future compliance with the annual reporting requirements of the LGR.

GLENORCHY CITY COUNCIL

AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my examination of the procurement of goods and services by GCC as recommended by the Board of Inquiry.

Audit objective

The objective of the audit was to form a reasonable assurance conclusion on GCC's compliance with its procurement and reporting obligations under its Code, the LGA and LGR (the requirements) as recommended by the Board of Inquiry.

The Board of Inquiry Report on GCC included the following three recommendations for consideration by the Auditor-General:

- GCC's Code be examined by the Auditor-General to determine whether it complies with the letter and the spirit of the LGA.
- The Auditor-General investigate whether GCC had complied with regulation 27(i) of the LGR.
- The Auditor-General investigate whether GCC complied with regulation 29 of the LGR.

This audit addresses those recommendations.

Audit scope

This audit examined procurement transactions from 1 November 2014 to 28 February 2017. Procurements examined in our report, *Investigation into procurement of goods and services from CT Management Group Pty Ltd by Glenorchy City Council* (CT Management Report)¹ tabled in Parliament on 17 October 2017 were excluded from this audit.

Annual reports examined for the purposes of assessing compliance with regulation 29 of the LGR covered the financial years ended 30 June 2015, 2016 and 2017.

Audit approach

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100) issued by the Australian Auditing and Assurance Standards Board, to express a reasonable assurance conclusion.

The audit evaluated the following criteria:

1. Does GCC's Code comply with the letter and the spirit of the LGA?
2. Did GCC comply with regulation 27(i) of the LGR?
3. Did GCC comply with regulation 29 of the LGR?

ASAE 3100 requires that I plan and perform my procedures to obtain reasonable assurance about whether GCC has complied, in all material respects, with the requirements as evaluated against the audit criteria.

An assurance engagement to report on GCC's compliance with the requirements involves performing procedures to obtain evidence about the activity and controls implemented to meet the requirements. The procedures selected depend on my judgement, including the identification and assessment of risks of material non-compliance with the requirements, as evaluated against the audit criteria.

¹ Report of the Auditor-General No. 1 of 2017-18 - *Investigation into procurement of goods and services from CT Management Group Pty Ltd by Glenorchy City Council*.

I have conducted my reasonable assurance audit by making such enquiries and performing such procedures I considered reasonable in the circumstances. Evidence for the audit was primarily obtained through discussions with relevant GCC personnel and examination of documentation related to the contracts and tenders and GCC's Annual Reports.

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

Glenorchy City Council's responsibilities

GCC was responsible for ensuring the procurement of goods and services and reporting of contracts and tenders was undertaken in compliance with its Code, the LGA and LGR.

Auditor-General's responsibility

In the context of this audit, my responsibility was to express an opinion on GCC's compliance, in all material respects, with its Code, the LGA and LGR relating to the procurement of goods and services and reporting of contracts and tenders, as evaluated against the criteria.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this audit.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the requirements may occur and not be detected. A reasonable assurance engagement does not provide assurance on whether compliance with the requirements will continue in the future.

Findings

Findings for the audit criteria are summarised below.

Findings and recommendations

1. Does GCC's Code comply with the letter and the spirit of the LGA?

- GCC's current Code complied with the letter and spirit of the LGA and the requirements of the LGR.

2. Did GCC comply with regulation 27(i) of the LGR?

- No contracts exempted from public tender requirements under the LGR were identified.
- All significant procurements related to major projects, exceeding the prescribed amount, were subject to a public tender process.
- Two procurements, out of 67 examined, relating to the use of contractors exceeded the prescribed amount and contravened GCC's previous Code and the LGA.

3. Did GCC comply with regulation 29 of the LGR?

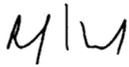
- All contracts awarded through a public tender process, during the period under examination, had been appropriately disclosed in the relevant Annual Report.
- GCC complied with its annual reporting requirements.

Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008*, a summary of findings was provided to the Minister for Local Government and GCC with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix 4.

Auditor-General's conclusion

In my opinion, GCC complied, in all material respects, with its Code, the LGA and LGR, as evaluated against the audit criteria.



Rod Whitehead

Auditor-General

19 September 2019

CONTEXT

Board of Inquiry Report

On 14 October 2015, the then Minister for Planning and Local Government announced the establishment of a Board of Inquiry under section 215(1)(b) of the LGA to make findings and recommendations with regard to the governance arrangements and practices of GCC since the October 2014 local government elections. The Terms of Reference for the Board of Inquiry were approved by the Treasurer on 22 August 2016. The powers and functions of a Board of Inquiry are set out in Part 13, Division 1 of the LGA.

On 16 November 2017, the Board of Inquiry's Report, *The Glenorchy City Council Board of Inquiry Report November 2017*, was provided to the Minister for Planning and Local Government pursuant to section 224(1) of the LGA. The Minister tabled the Board of Inquiry Report in Parliament on 28 November 2017.

The Report made several recommendations on GCC's procurement activities, including recommendations referring to the Auditor-General, as follows:

1. *that council's Code for Tenders and Contracts be examined by the Auditor-General to determine whether it complies with the letter and the spirit of the [LGA] Act.*
2. *that the Auditor-General investigate whether council has complied with reg. 27(i) of the General Regulations, which state that council is not compelled to undertake a public tender process for a contract for goods or services, if the council resolves by absolute majority and states the reasons for the decision, being that a satisfactory result would not be achieved by inviting tenders because of – (i) extenuating circumstances; or (ii) the remoteness of the locality; or (iii) the unavailability of competitive or reliable tenderers.*
3. *that the Auditor-General investigate whether council has complied with section 29 of the General Regulations, which prescribes council's annual reporting requirements in relation to tenders and contracts.*

The Board of Inquiry Report referenced the term 'spirit of the LGA', but did not provide a definition. In completing this audit, 'spirit of the LGA' has been defined as GCC meeting the procurement requirements of the LGA, LGR and its procurement Code.

The Auditor-General decided to conduct an audit in line with the recommendations as it was important to understand if further non-compliance with the LGA had occurred, similar to that identified in our CT Management Report.

Compliance requirements

The LGA requires GCC to maintain a Code relating to tenders and contracts that is consistent with the LGA and LGR. This governs how GCC is to procure goods and services including the need to obtain quotes or tenders.

The Code has specific procurement principles ensuring:

- Open and effective communication - transparent and open purchasing processes.
- Value for money - procurement at the most competitive price available, but value for money does not mean buying at the lowest price.
- Enhancement of the capabilities of the local business industry - engaging local markets.
- Ethical behaviour and fair dealing - promote procurement practices that are legal, ethical, fair and unbiased.

Further details of the legislative requirements under the LGA and LGR are included in Appendix 1.

DETAILED FINDINGS

1. Does GCC's Code comply with the letter and the spirit of the LGA?

We considered there was no benefit in reviewing previous GCC Codes that were no longer current. We compared GCC's current Code, adopted in July 2017, to the LGR to determine compliance with both the letter and spirit of the LGA. We also compared the GCC Code to the model policy template related to a Code for Tenders and Contracts prepared by the Local Government Association of Tasmania (LGAT).

We found the GCC Code complied with the letter and spirit of the LGA and the requirements of the LGR. The GCC Code was also consistent with LGAT's model policy template. The main point of difference identified was GCC had extended its Code to include exemption provisions for quotation, not dealt with by either the LGA or LGR. This did not contravene the letter or spirit of the LGA.

2. Did GCC comply with regulation 27(i) of the LGR?

We reviewed GCC's Minutes and made enquiries of GCC senior management to identify any procurements where GCC had applied the exemption from undertaking a public tender. In addition, we reviewed, in aggregate, all vendors paid over \$100 000 in the period of the audit, from 1 November 2014 to 28 February 2017.

We expected any contract over the prescribed amount applicable at the time of procurement that did not go to public tender, would have been approved by GCC, using the exemptions provided under the LGR applicable at that time.

We did not identify any procurements where GCC had applied the exemption from public tender.

Two procurements, out of 67 examined, relating to the use of contractors exceeded the prescribed amount applicable at the time of procurement, \$100 000, and appeared to contravene GCC's Code (current at the time of the procurement) and the LGA. These procurements related to Derwent Park Stormwater Reuse Project and recruitment of executives. We concluded two instances out of 67 did not represent material non-compliance.

The exceptions share characteristics with the matters identified in the CT Management Report. The exceptions should not reoccur as GCC adopted the CT Management Report's recommendations to:

- review its internal processes and procedures to ensure future compliance with:
 - the LGA
 - the LGR
 - the Code
 - Council's internal policies, procedures and manuals
- ensure appropriate documentation is maintained to evidence procurement decisions and compliance with relevant requirements.

Derwent Park Stormwater Reuse Project

In July 2012, GCC appointed a contractor to undertake a project management role in the construction of its Stormwater Project with both parties signing an Independent Contractor's Agreement. The appointed contractor had been previously an employee of GCC from March 2011 until the date of the contract agreement. A further extension of the contract agreement occurred in July 2015.

Over the period under review, Council paid the contractor a total of \$0.40m.

GCC confirmed the contracted services were not subject to tender or quotation processes. GCC advised it had assessed the initial estimated costs to be below the prescribed amount for public tenders. Further, GCC also advised the Stormwater Project changed considerably from the initial scope resulting in the expected timeframes and level of services required being greater than originally estimated. GCC could not provide documentation to support this assessment.

We consider GCC's initial estimated engineering and project management services costs of less than \$0.10m unusual, when compared to the total amount paid over the period under review of, \$0.40m, and a total project cost of \$16.00m for the Derwent Park Stormwater Reuse Project.

Recruitment of executives

In May 2015, GCC appointed a contractor to assist with the recruitment of two directors and five managers. The appointment was completed using purchase orders. A review of the purchase orders found senior management directly appointed the contractor. Our enquiries did not identify any other contracts for the appointment of the contractor.

A review of the wording used in the purchase orders indicated a single process for all recruitments. GCC paid five invoices from March 2015 to May 2015, with the cost totalling \$0.12m.

We also found three invoices, for three separate recruitment services by the same contractor, each in excess of the threshold, \$10 000, for which quotations were required to be obtained in accordance with the GCC Code. Purchase orders were each certified by senior management and notated to the effect that quotations were not required.

The GCC Code at the time of these purchases required GCC staff to estimate the cost of goods and services required. In each of the procurements noted above, GCC was not able to provide documentation to evidence any assessment of the quantum of the work. Had an assessment of the costs been undertaken, GCC may have been required to either undertake a public tender process, or apply the exemption provided in regulation 27(h).

3. Did GCC comply with regulation 29 of the LGR?

In assessing whether GCC complied with its annual reporting requirements, we compared contracts awarded within the period under examination to GCC's contracts register and disclosure within Annual Reports for the years ended 30 June 2015, 2016 and 2017. We expected disclosure of all tendered contracts awarded in the relevant Annual Report.

We found all contracts awarded through a public tender process, during the period under examination, had been appropriately disclosed in the relevant Annual Report.

We concluded GCC had complied with its annual reporting requirements.

ACRONYMS AND ABBREVIATIONS

ASAE 3100	Australian Standard on Assurance Engagements ASAE 3100 <i>Compliance Engagements</i>
ASAE 3500	Australian Standard on Assurance Engagements ASAE 3500 <i>Performance Engagements</i>
Audit Act	<i>Audit Act 2008</i>
Board of Inquiry Report	<i>Glenorchy City Council Board of Inquiry Report November 2017</i>
CBD	Central Business District
Code	Code for Tenders and Contracts
CT Management Report	Report of the Auditor-General No. 1 of 2017-18, <i>Investigation into procurement of goods and services from CT Management Group Pty Ltd by Glenorchy City Council</i> , October 2017
DCC	Devonport City Council
Fairbrother	Fairbrother Pty Ltd
GCC	Glenorchy City Council
GST	Goods and Services Tax
LGA	<i>Local Government Act 1993</i>
LGAT	Local Government Association of Tasmania
LGR	<i>Local Government (General) Regulations 2015 (LGR)</i> , and former regulations
Master Plan	Living City Master Plan
Minister	Minister for Local Government
MOU	Memorandum of Understanding
PDMA	Project Development Management Agreement
PPD	Providore Place Devonport Pty Ltd
P+i	Project & Infrastructure Holdings Pty Ltd
RFP	Request for Proposal
World Trail	World Trail Pty Ltd

APPENDIX 1: LEGISLATIVE FRAMEWORK AND RELEVANT LEGISLATION RELATING TO PROCUREMENT

The LGA requires councils to maintain a Code relating to tenders and contracts that is consistent with the LGA and LGR. This governs how a council is to procure goods and services including the need to obtain quotes or tenders.

The Code has specific procurement principles ensuring:

- Open and effective communication - transparent and open purchasing processes
- Value for money - procurement at the most competitive price available, but value for money does not mean buying at the lowest price
- Enhancement of the capabilities of the local business industry - engaging local markets
- Ethical behaviour and fair dealing - promote procurement practices that are legal, ethical, fair and unbiased.

Generally, the requirements of the 2005 and 2015 LGR are consistent, with the major differences relating to the threshold requirement for the seeking of tenders increasing from \$100 000 to \$250 000 (excluding GST) and additional reporting requirements in annual reports required from 29 June 2015.

Key clauses from the LGR and the Code referred to in this Report are outlined below.

LOCAL GOVERNMENT (GENERAL) REGULATIONS 2005 (NOW EXPIRED)

Regulation 23 (5) Annual reporting requirements in relation to tenders and contracts

A council is to report the following in its annual report in relation to any contract for the supply or provision of goods or services valued at or exceeding the amount prescribed under sub regulation 1, entered into or extended under sub regulation (4)(b) in the financial year:

- (a) a description of the contract;
- (b) the period of the contract;
- (c) the periods of any options for extending the contract;
- (d) the value of any tender awarded or, if a tender is not required, the value of the contract excluding GST;
- (e) the business name of the successful contractor;
- (f) the business address of the successful contractor.

Regulation 27 Non-application of public tender process

- (1) Regulation 23 does not apply to the following:
 - (a) an emergency if, in the opinion of the general manager, there is insufficient time to invite tenders for the goods or services required in that emergency;
 - (b) a contract for goods or services supplied or provided by, or obtained through, an agency of a State or of the Commonwealth;
 - (c) a contract for goods or services supplied or provided by another council, a single authority, a joint authority or the Local Government Association of Tasmania;
 - (d) a contract for goods or services in respect of which a council is exempted under another Act from the requirement to invite a tender;
 - (e) a contract for goods or services that is entered into at public auction;
 - (f) a contract for insurance entered into through a broker;

- (g) a contract arising when a council is directed to acquire goods or services due to a claim made under a contract of insurance;
 - (h) a contract for goods or services if the council resolves by absolute majority and states the reasons for the decision, that a satisfactory result would not be achieved by inviting tenders because of –
 - (i) extenuating circumstances; or
 - (ii) the remoteness of the locality; or
 - (iii) the unavailability of competitive or reliable tenderers;
 - (i) a contract of employment with a person as an employee of the council.
- (2) A council is to report in its annual report all instances where sub-regulation (1)(a) or (h) has been applied with the following details:
- (a) a brief description of the reason for not inviting public tenders;
 - (b) a description of the goods or services acquired;
 - (c) the value of the goods or services acquired;
 - (d) the name of the supplier.

LOCAL GOVERNMENT (GENERAL) REGULATIONS 2015 (CURRENT)

Regulation 23 Public tenders

- (1) For the purpose of section 333A(1) of the Act, the prescribed amount is \$250 000 (excluding GST).
- (2) A tender is to be publicly invited by one of the following:
 - (a) an open tender under regulation 24 ;
 - (b) a multiple-use register under regulation 25 ;
 - (c) a multiple-stage tender under regulation 26 .
- (3) A council, through a public tender process, may establish a standing contract in which a single tenderer or multiple tenderers may be contracted for a specified period to provide specified goods or services during that period without the need for a further tender process.
- (4) A council must not split a contract into 2 or more contracts for the primary purpose of avoiding compliance with the requirement to publicly invite tenders.
- (5) A council may extend a contract entered into by tender –
 - (a) as specified in the contract; or
 - (b) if the contract does not specify extensions, by an absolute majority.

Regulation 27 Non-application of public tender process

The following situations and contracts are prescribed for the purposes of section 333A(3) of the LGA:

- (a) an emergency, if, in the opinion of the general manager, there is insufficient time to invite tenders for the goods or services required in that emergency;
- (b) a contract for goods or services supplied or provided by, or obtained through, an agency of a State or of the Commonwealth;
- (c) a contract for goods or services supplied or provided by another council, a single authority, a joint authority or the Local Government Association of Tasmania;

- (d) a contract for goods or services obtained as a result of a tender process conducted by –
 - (i) another council; or
 - (ii) a single authority or a joint authority; or
 - (iii) the Local Government Association of Tasmania; or
 - (iv) any other local government association in this State or in another State or a Territory; or
 - (v) any organisation, or entity, established by any other local government association in this State or in another State or a Territory;
- (e) a contract for goods or services in respect of which a council is exempted under another Act from the requirement to invite a tender;
- (f) a contract for goods or services that is entered into at public auction;
- (g) a contract for insurance entered into through a broker;
- (h) a contract arising when a council is directed to acquire goods or services due to a claim made under a contract of insurance;
- (i) a contract for goods or services, if the council resolves by absolute majority and states the reasons for the decision, being that a satisfactory result would not be achieved by inviting tenders because of –
 - (i) extenuating circumstances; or
 - (ii) the remoteness of the locality; or
 - (iii) the unavailability of competitive or reliable tenderers;
- (j) a contract of employment with a person as an employee of the council.

Section 3 of the LGA - *Interpretation* states:

absolute majority means -

- (a) if no councillors are suspended, more than half of the number of councillors to be elected to a council; or
- (b) if one or more councillors are suspended, more than half of the number of councillors to be elected to a council after subtracting the number of councillors who are suspended

Regulation 28 Code for tenders and contracts

The code adopted under section 333B of the Act is to –

- (a) promote the following principles:
 - (i) open and effective competition;
 - (ii) value for money;
 - (iii) enhancement of the capabilities of local business and industry;
 - (iv) ethical behaviour and fair dealing; and
- (b) establish and maintain procedures to ensure that all potential suppliers are provided with the same information relating to the requirements of a tender or contract and are given equal opportunity to meet the requirements; and
- (c) establish and maintain procedures to ensure that fair and equal consideration is given to all tenders or quotations received; and

- (d) establish and maintain procedures to deal honestly with, and be equitable in the treatment of, all potential or existing suppliers; and
- (e) establish and maintain procedures to ensure a prompt and courteous response to all reasonable requests for advice and information from potential or existing suppliers; and
- (f) seek to minimise the cost to suppliers of participating in the tendering process; and
- (g) protect commercial-in-confidence information; and
- (h) for contracts valued at under \$250 000 (excluding GST), specify when 3 written quotations are required; and
- (i) establish and maintain procedures for the use of multiple-use registers for contracts valued at under \$250 000 (excluding GST); and
- (j) establish and maintain procedures for reporting by the general manager to the council in relation to the purchase of goods or services in circumstances where a public tender or quotation process is not used; and
- (k) establish and maintain procedures for the review of each tender process to ensure that it is in accordance with these regulations and the code; and
- (l) establish and maintain procedures for the following:
 - (i) amending or extending a tender once it has been released;
 - (ii) opening tenders;
 - (iii) the consideration of tenders that do not fully conform with the tender requirements;
 - (iv) the debriefing of unsuccessful tenderers;
 - (v) handling complaints regarding processes related to the supply of goods or services.

Regulation 29 Annual reporting requirements in relation to tenders and contracts

- (1) For the purposes of section 72(1)(e) of the Act, a council is to report the following in its annual report in relation to any contract, for the supply or provision of goods or services valued at or exceeding \$250 000 (excluding GST), that is entered into, or extended under regulation 23(5)(b), in the financial year to which the annual report relates:
 - (a) a description of the contract;
 - (b) the period of the contract;
 - (c) the periods of any options for extending the contract;
 - (d) the value of any tender awarded or, if a tender was not required, the value of the contract (excluding GST);
 - (e) the business name of the successful contractor;
 - (f) the business address of the successful contractor.
- (2) For the purposes of section 72(1)(e) of the Act, a council is to report in its annual report all instances where regulation 27(a) and (i) have been applied, with the following details:
 - (a) a brief description of the reason for not inviting public tenders;
 - (b) a description of the goods or services acquired;
 - (c) the value of the goods or services acquired;
 - (d) the name of the supplier.

- (3) For the purposes of section 72(1)(e) of the Act, a council is to report the following in its annual report in relation to any contract, for the supply or provision of goods or services valued at or exceeding \$100 000 (excluding GST) but less than \$250 000, that is entered into, or extended, in the financial year to which the annual report relates:
- (a) a description of the contract;
 - (b) the period of the contract;
 - (c) the periods of any options for extending the contract;
 - (d) the value of the contract (excluding GST);
 - (e) the business name of the successful contractor;
 - (f) the business address of the successful contractor.

APPENDIX 2: LGAT GUIDE - EXTRACT FROM CODE FOR TENDERS AND CONTRACTS

5 PROCUREMENT PRINCIPLES

Council will have regard to the following principles when acquiring goods and services:

5.1 Open and Effective Communication

The Council will ensure that the purchasing process is impartial, open and encourages competitive offers.

In practice this means that Council will:

- 5.1.1 use transparent and open purchasing processes so that service providers and the public are able to have confidence in the outcomes
- 5.1.2 adequately test the market through seeking quotations or via tender as appropriate
- 5.1.3 avoid biased specifications
- 5.1.4 treat all service providers consistently and equitably
- 5.1.5 ensure a prompt and courteous response to all reasonable requests for advice and information from service providers

5.2 Value for Money

The Council will ensure that it is buying at the most competitive price available, but value for money does not mean buying at the lowest price.

In practice this means that Council will consider:

- 5.2.1 the contribution the good or service makes to achieving Council's strategic plans or policies
- 5.2.2 the value of the acquisition and potential benefits against the costs of that purchase
- 5.2.3 an assessment of risks associated with the purchase including the preferred procurement method
- 5.2.4 how well goods or services meet needs
- 5.2.5 maintenance and running costs over the lifetime of a product
- 5.2.6 disposal value
- 5.2.7 time constraints
- 5.2.8 the impact of the procurement decision on the local economy, such as through industry development and employment creation
- 5.2.9 the impact of the procurement decision on the environment, such as through minimising waste and reducing demand for goods and services which have a direct impact on the environment (such as printing, utilities and travel)
- 5.2.10 the impact of the procurement decision on the society, (social value generated) such as through the elimination of discrimination and the promotion of equal opportunity, training, and other identified social objectives

5.3 Enhancement of the capabilities of the local business industry

The Council will ensure that where local capacity exists it will seek to engage the local market and encourage participation in tender and quotation processes.

In practice this means that Council will:

- 5.3.1 actively seek quotes from local businesses that are able to provide quality goods and or services
 - 5.3.2 where local capability exists, ensure that discretionary elements of specifications do not prevent local business from competing
 - 5.3.3 not give preferential treatment to local service providers where it cannot be reasonably justified
- 5.4 Ethical behaviour and fair dealing

The Council will promote procurement practice that is legal, ethical, fair and unbiased.

In practice this means that Council will:

- 5.4.1 comply with legal requirements
- 5.4.2 conduct all business in the best interests of the Council
- 5.4.3 be as effective and efficient as possible when sourcing, ordering and paying for goods and services.
- 5.4.4 expect individuals involved in procurement processes to declare and act upon any conflicts of interest that may be seen to influence impartiality
- 5.4.5 ensure that specifications are clear
- 5.4.6 ensure that any Service Provider is not provided with information or clarification that is not provided equally to all service providers
- 5.4.7 maintain confidentiality at all times in dealing with service providers
- 5.4.8 ensure that conditions of contract are not excessively onerous
- 5.4.9 decline gifts or benefits offered by those involved in the procurement process, particularly from service providers

In practice this means that Council expects service providers to:

- 5.4.10 ensure that they are well acquainted with Council requirements identified in this Code
- 5.4.11 are familiar with particulars relating to a specific tender and quotation processes including the relevant specifications
- 5.4.12 not submit a tender or quotation unless they have the financial, technical, physical, management resource or other capabilities to fulfil Council's requirements
- 5.4.13 not seek to influence a procurement process by improper means or collude with other service providers
- 5.4.14 declare and act upon any conflicts of interest that may be seen to influence impartiality
- 5.4.15 comply with all applicable legislative, regulatory and statutory requirements, including Acts of the Commonwealth and State, regulations, by laws and proclamations made or issued under such Acts and lawful requirements or directions of public and other authorities
- 5.4.16 not offer gifts or benefits to a Council officer for the discharge of official business

APPENDIX 3: LEGISLATIVE FRAMEWORK AND RELEVANT LEGISLATION RELATING TO SALE OF LAND

LOCAL GOVERNMENT ACT 1993

Section 177 *Sale and disposal of land*

- (1) A council may sell, lease, donate, exchange or otherwise dispose of land owned by it, other than public land, in accordance with this section.
- (2) Before a council sells, leases, donates, exchanges or otherwise disposes of any land, it is to obtain a valuation of the land from the Valuer-General or a person who is qualified to practise as a land valuer under section 4 of the *Land Valuers Act 2001*.
- (3) A council may sell –
 - (a) any land by auction or tender; or
 - (b) any specific land by any other method it approves.
- (4) A council may exchange land for other land –
 - (a) if the valuations of each land are comparable in value; or
 - (b) in any other case, as it considers appropriate.
- (5) A contract pursuant to this section for the sale, lease, donation, exchange or other disposal of land which is public land is of no effect.
- (6) A decision by a council under this section must be made by absolute majority.

APPENDIX 4: SUBMISSIONS AND COMMENTS RECEIVED

Submissions and comments that we receive are not subject to the audit, nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed were considered in reaching the summary of findings.

Section 30(3) of the Act requires that this report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included in full below.

Devonport City Council

There has been significant public interest in LIVING CITY and Council welcomes the findings of your independent review following an extensive 18-month examination of the project which included all governance and procurement processes since 2013.

Your report confirms that Council with one exception (relating to reporting of one contract in its 2015 Annual Report) complied with its reporting statutory requirement under the *Local Government Act 1993* and in general complied with the *Local Government (General) Regulations*.

It is noted the Report acknowledges that prior to entering into the contract with P+i, Council had considered issues around the commerciality of the agreement, however it is recognised this could have been better documented. Council accepts there is a need to improve its documenting of any value or reasonableness assessment when a contract is entered into based on the 'extenuating circumstances' provision under the *Local Government Act*.

In relation to the Providore Place, Council accepts there were a number of short comings in relation to the development of the lease agreement. Although at the time of entering into the lease there was a desire by Council and the Lessee for a non-traditional cooperative shared arrangement, this has proven to be ineffectual and has created a significant amount of angst between the parties and has reflected badly on Council within parts of the community. Council accepts that it did not fully meet good governance expectations in relation to the Providore Place lease and will commit to ensuring the recommendations provided within the Report are fully implemented.

It is noted that the 2016 lease agreement with Providore Place (Devonport) Pty Ltd has now been surrendered and a new lease, prepared on commercial terms and based on extensive legal advice, has been agreed between the parties.

Council is reassured that following the assessment of the approach taken by Council in regard to the hotel development, you did not consider it necessary to make any recommendations relating to this matter and how it was managed.

The Report highlights that extensive cost control and program reporting measures were applied in relation to Stage 1 of LIVING CITY. In part, it was these measures which contributed to the project being completed under budget. It is noted that no recommendations were provided in relation to this aspect of your review.

The Report contains eight (8) recommendations in total. Of these, three (3) are for the Government or Director of Local Government to consider relating to potential changes for inclusion in the Local Government Act with the other five (5) specifically for Council consideration. I am committed to seeing these recommendations fully implemented.

Council appreciates the detailed review your office has undertaken of the LIVING CITY project. Whilst I acknowledge that there are certain aspects of the project which could have been better managed, particularly those relating to the Providore Place lease, I can assure you that at the time decisions were made it was the view of the Council that these were in the best interests of the project.

Cr Annette Rockliff

Mayor, City of Devonport

Project & Infrastructure Holdings Pty Ltd

In broad terms, the extract appears to present a view consistent with my understanding, with only a couple of minor discrepancies, notably:

- While payment to P+I were made in accordance with the PDMA, not all payments due in accordance with the PDMA (as amended) were made, specifically the entitlement to a share of unspent project contingency at Practical Completion.
- While a head lease of Providore Place was Council's preference, it was not a recommendation from P+i. Our advice was to defer attempts to lease space prior to completion, and Providore Place would be best managed as part of a portfolio of Council owned tourism assets, including the Devonport Entertainment & Convention Centre and new conference facilities, in-house or contracted management. The TAO report is correct the structure and returns under the lease were similar to those under a management agreement. At March 2016 P+i advised "*a head lease is unlikely to be achievable at this time*" and "*cashflow after operating expenses is not sufficient to pay both rent at this level (\$400k p.a.) and generate a significant surplus*".

Robert Woolf

Director - P+i

Providore Place Devonport Pty Ltd

I have not been a Director of PPD since 16 March 2018. P+i sold its entire shareholding in PPD on 21 September 2018. We had not visibility or knowledge of events between PPD and Council after these dates.

While P+i was paid for its shares, we have, unfortunately never received a copy of the ASIC change in details lodgement. As far as we can tell, no lodgement was made. We notified ASIC of the change (repeatedly) and have reported the failure to notify the change, again to ASIC, and I cannot respond on behalf of PPD.

Robert Woolf

Director - P+i

Glenorchy City Council

We note the audit covered the period 1 November 2014 to 28 February 2017. We also note, for relevance, the audit review was completed with reference to Council's 2017 Code for Tenders and Contracts.

We have reviewed the audit report and advise we accept the findings contained therein. Since 2017 Council has continued to develop and progress its procurement services and project management expertise and the actions undertaken align to your findings.

Alderman Kristie Johnston

Mayor

Minister for Local Government

I note the findings and recommendations of the Report and the suggested follow up actions outlined. I will consider the recommendations in more detail in due course.

Mark Shelton MP

Minister for Local Government

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

‘(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



Tasmanian
Audit Office

Phone (03) 6173 0900
Fax (03) 6173 0999
Email admin@audit.tas.gov.au
Web www.audit.tas.gov.au

Launceston Office
Phone (03) 6173 0971

Address Level 8, 144 Macquarie Street,
Hobart, Tasmania
Postal Address GPO Box 851, Hobart 7001
Office Hours 9am to 5pm Monday to Friday

Address Level 4, Henty House
1 Civic Square, Launceston, Tasmania

Cover Photo Lake Burbury, "we are Explorers"

5.2 ANNUAL FINANCIAL REPORT - 30 JUNE 2019

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

- Strategy 5.5.1 Provide financial services to support Council's operations and meet reporting and accountability requirements

SUMMARY

This report is provided to present to Council the Annual Financial Report for the year ended 30 June 2019.

BACKGROUND

The Annual Financial Report has been prepared in accordance with the requirements of the *Local Government Act 1993*, the *Audit Act 2008* and relevant Accounting Standards.

The Audit Opinion and the Annual Financial Report are attached to this report and are available on Council's website and for viewing at Customer Services.

STATUTORY REQUIREMENTS

Section 72 of the *Local Government Act 1993* requires Council to prepare an Annual Report containing the Annual Financial Report and other statutory requirements. The Annual Report must be considered at the Annual General Meeting, which is to be held no later than 15 December.

The Annual Financial Report is required to be prepared in accordance with applicable Accounting Standards; Section 84 of the *Local Government Act 1993* and the *Audit Act 2008*.

The *Audit Act 2008* requires that the financial report is to be prepared within 45 days of the end of the financial year and forwarded to the Auditor-General as soon as practicable. The Tasmanian Audit Office then has a further 45 days to complete the audit of the Statements.

Section 84 (4) of the *Local Government Act 1993* requires that '*the general manager is to ensure that the certified financial statements are tabled at a meeting of the council as soon as practicable*'.

This is the first opportunity for the certified financial statement to be provided formally to Council.

Section 82 (4) of the Act "*a council may alter by absolute majority any estimate referred to in subsection (2) during the financial year*".

DISCUSSION

The Annual Financial Report meet the requirements of the *Local Government Act 1993* and applicable Accounting Standards and has been audited by the Tasmanian Audit Office. The audit opinion was issued by the Auditor General on 27 September 2019.

The Annual Financial Report comprises four financial statements, together with notes to the accounts. The 'notes' provide additional detail and explanation to the financial statements. The Annual Financial Statements fully comply with the accounting standards and Council's statutory obligations. The four primary financial statements are:

1. Statement of Profit or Loss and Other Comprehensive Income
2. Statement of Financial Position

Report to Council meeting on 28 October 2019

3. Statement of Changes in Equity
4. Statement of Cash Flows

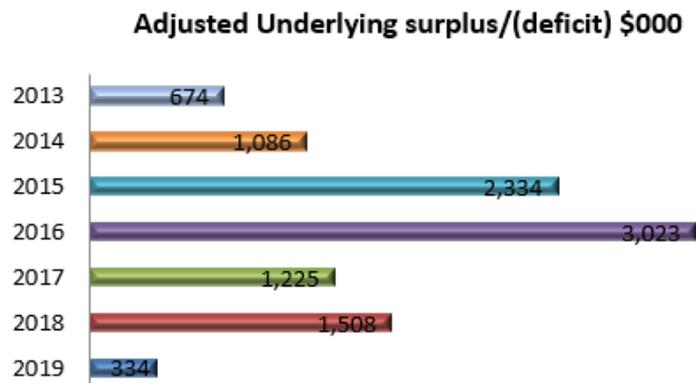
The draft financial statements were referred to the Audit Panel for review at its meeting on 14 August 2019 prior to submission to the Audit Office by the due date.

Below is a summary of the results of Council's financial activities during the year.

	Actual \$000	Budget \$000
Ordinary activities		
Total recurrent income	41,158	39,827
Total operating expenditure	41,746	39,280
Surplus / (Deficit) from ordinary activities	(588)	547
Adjustments		
Prepaid Financial Assistance Grant 2019/20	(1,229)	(1,078)
Prepaid Financial Assistance Grant 2018/19	1,075	1,075
Loss on Disposal of Assets	(819)	(397)
Fair Value Adjustment on Swaps	1,895	0
Adjusted Underlying Surplus/(Deficit)	334	147
Total Comprehensive Result	12,443	2,705

Council has achieved an adjusted underlying surplus of \$0.334M for the 2018/19 financial year compared to a budgeted underlying surplus of \$0.147M. This figure does not include \$1.89M fair value movement on interest rate swaps. Council is required to book this movement in compliance with Australian Accounting Standards, however it represents future possible movements on the swaps and does not directly relate to Council operations in 2018/19.

The below graph outlines the adjusted Underlying Surplus recorded by Council over the past seven (7) years.



Recurrent Income	Actual 2018/19 \$000	Budget 2018/19 \$000	Variance \$000
Rates and Service Charges	27,976	27,912	64

Report to Council meeting on 28 October 2019

Recurrent Income	Actual 2018/19 \$000	Budget 2018/19 \$000	Variance \$000
Fees and User Charges	5,852	5,878	(26)
Grants - Operating	2,586	2,299	287
Contributions - Operating	19	35	(16)
Investment Revenue	3,620	2,566	1,054
Other Revenue	1,105	1,137	(32)
Total Recurrent Income	\$41,158	\$39,827	\$1,331

Total operating revenue was \$1.331M or 3.34% higher than budget. The major variations include:

- Investment Revenue was \$1M above budget due to a higher than expected return from Dulverton Regional Waste Management Authority and higher than anticipated interest from short term investments.

Operating Expenditure	Actual 2018/19 \$000	Budget 2018/19 \$000	Variance \$000
Employee Benefits	11,964	12,002	(38)
Materials and Services	15,395	15,097	298
Depreciation	9,574	9,140	434
Financial Costs	3,611	1,904	1,707
Other Expenses	1,202	1,137	65
Total Operating Expenditure	\$41,746	\$39,280	\$2,466

Total operating expenditure was \$2.466M greater than budget. The major variations include:

- Material and services were \$298K higher than budget. Increased electricity costs at Splash; increased contractors, including \$170K for the demolition of Harris Scarfe and \$150K for catering of events at the paranapple centre are the main drivers of the increase. Electricity costs and the cost of catering have been on charged to the relevant users.
- Depreciation was \$434K higher than budget predominately relating to depreciation of the road network and additional depreciation on LIVING CITY Stage 1 buildings. The budget included depreciation for approximately six months for the LIVING CITY buildings, however the buildings were in use for ten months of the year.
- Financial costs were \$1.707M greater than budget mostly due to the fair value movement in interest rate swaps (\$1.895M) and reduced interest payments (\$188K). The \$188K reduction reflects the lower than anticipated level of borrowings associated with LIVING CITY.

The accounting entry relating to the swaps reflects potential future interest rate payments as a result of the downward movement in interest rates over the past 12 months. It does not represent a cash payment in 2018/19, however it effectively recognises interest movements in the future and as a result of the difference between

Report to Council meeting on 28 October 2019

the 'locked-in swaps' and the variable interest rate. Over the next six years as the loans are repaid this adjustment will essentially be returned to Council through the operating statement 'book entries'.

A summary of the Council's equity position at 30 June 2019 compared with the previous year was:

Financial Position	2019	2018
	\$000	\$000
Total Assets	614,995	610,362
Total Liabilities	59,358	67,168
Net Community Equity	\$555,637	\$543,194
Key Assets and Liabilities (included in Financial Position)		
Cash Assets	15,966	16,442
Property, plant and equipment	477,943	443,433
Council Borrowing	51,821	45,159

Cash assets include operating accounts, trust deposits and investments held by Council at 30 June 2019.

During the 2018/19 financial year, Council completed construction of LIVING CITY Stage 1 and capitalised the new assets. Borrowings in relation to the project were also completed and Council does not intend to borrow funds to progress the waterfront park.

Further detail and summary information will be available in the Council's 2018/19 Annual Report which will be presented at the Annual General Meeting on 9 December 2019.

COMMUNITY ENGAGEMENT

The preparation of the Annual Report and the conduct of the Annual General Meeting underpins the community engagement in relation to this matter.

FINANCIAL IMPLICATIONS

Whilst the Annual Financial Report deals with the finances of Council, there are no direct financial consequences relating to the consideration of this covering report.

RISK IMPLICATIONS

There are no specific identified risks in relation to the content of this report.

CONCLUSION

The Annual Financial Report for the year ended 30 June 2019 provides detailed information as to Council's financial performance and position as at balance date.

Copies of the following documents are provided to support this report:

1. Auditor's Opinion
2. Financial Report for the Year Ended 30 June 2019

The Annual Report will be tabled at the Annual General Meeting.

ATTACHMENTS

1. DCC Financial Report 2019

RECOMMENDATION

That the report of the General Manager relating to the Annual Financial Report for the year ended 30 June 2019 be received and Council note that it will be included as an Appendix in the 2019 Annual Report.

Author:	Paul West
Position:	General Manager



Independent Auditor's Report

To the Aldermen of Devonport City Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Devonport City Council (Council), which comprises the statement of financial position as at 30 June 2019 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2019 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

Basis for Opinion

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

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

My audit responsibility does not extend to the budget figures included in the financial report, the asset renewal funding ratio disclosed in note 43, nor the Significant Business Activities disclosed in note 3 to the financial report and accordingly, I express no opinion on them.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Property and infrastructure <i>Refer to notes 14, 26, 27 and 44</i></p>	<ul style="list-style-type: none"> • Assessing the scope, expertise and independence of experts involved in the valuations. • Assessing the appropriateness of the valuation methodology and the key assumptions used. • Evaluating indexation applied to assets between formal valuations. • Testing, on a sample basis, the mathematical accuracy of the valuation model's calculations. • Evaluating management's assessment of asset useful lives. • Performing substantive analytical procedures on depreciation expenses. • Testing, on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment. • Testing, on a sample basis, capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred in a timely manner. • Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.
<p>Property and infrastructure at 30 June 2019 includes land, buildings, parks and open space, cultural and heritage assets and infrastructure assets totalling \$471.57m. The fair values of these assets are based on market value or current replacement cost. Council undertakes formal revaluations on a regular basis to ensure valuations represent fair value. Indexation is applied to fair values between formal valuations.</p>	
<p>In 2018-19, Council revalued road assets based on current replacement cost valuations determined by internal experts and indexed all other asset classes except land. These valuations are highly dependent upon a range of assumptions and estimated unit rates.</p>	
<p>The calculation of depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions and depreciation policies can significantly impact the depreciation charged.</p>	
<p>Capital expenditure in 2018-19 totalled \$21.41m on a number of significant programs to upgrade and maintain assets. Capital projects can contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.</p>	

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Responsibilities of the General Manager for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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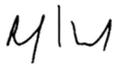
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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Rod Whitehead
Auditor-General

Tasmanian Audit Office

27 September 2019
Hobart

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Devonport City Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2019

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

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DEVONPORT CITY COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Statement of Comprehensive Income

	Note	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Income from continuing operations				
Recurrent income				
Rates and service charges	5	27,912	27,976	27,327
Fees and charges	6	5,878	5,852	5,497
Grants	7	2,299	2,586	3,216
Contributions - cash	8	35	19	49
Investment revenue from TasWater	9	1,200	1,018	1,643
Other investment revenue	10	726	1,063	887
Share of profit of associates accounted for by the equity method	25	640	1,539	793
Other income	11	1,137	1,105	1,185
Total recurrent income		39,827	41,158	40,597
Capital items				
Capital grants received specifically for new or upgraded assets	7	2,555	1,504	8,675
Contributions - non-monetary assets	8	0	510	1,323
Net loss on the disposal of property, infrastructure, plant and equipment	17	(397)	(819)	(1,439)
Capital works completed on assets not owned by Council	19	0	0	(420)
Derecognition of assets	20	0	(2,885)	(516)
Total capital items		2,158	(1,690)	7,623
Total income from continuing operations		41,985	39,468	48,220
Expenses from continuing operations				
Employee benefits	12	12,002	11,964	11,647
Materials and services	13	15,097	15,395	15,199
Depreciation	14	9,140	9,574	8,427
Finance costs	15	1,824	3,611	1,280
Other expenses	16	1,217	1,202	1,042
Total expenses from continuing operations		39,280	41,746	37,595
Result from continuing operations		2,705	(2,278)	10,625
Net result for the year		2,705	(2,278)	10,625
Other comprehensive income				
Items that may be reclassified to surplus or deficit				
Fair Value adjustment on available for sale assets	24	0	0	1,119
Items that will not be reclassified to surplus or deficit				
Fair value adjustments on equity investment assets	24	0	12,683	0
Net asset revaluation increment / (decrement) - Council	32	0	2,017	6,154
Net asset revaluation increment / (decrement) - Associates	25	0	21	122
Total other comprehensive income		0	14,721	7,395
Total comprehensive result		2,705	12,443	18,020

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

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DEVONPORT CITY COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Statement of Financial Position as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current Assets			
Cash and cash equivalents	21	15,966	16,442
Trade and other receivables	22	7,578	1,129
Other assets	23	306	164
Available for sale assets	26.1	1,337	2,397
Total current assets		25,187	20,132
Non-Current Assets			
Trade and other receivables	22	24	28
Other assets	23	268	0
Investment in TasWater	24	100,028	87,345
Investments in associates	25	7,234	6,009
Property, infrastructure, plant and equipment	26	477,943	443,433
Capital work in progress	27	4,311	53,415
Total non-current assets		589,808	590,230
TOTAL ASSETS		614,995	610,362
Current Liabilities			
Payables	28	2,378	18,865
Interest bearing liabilities	29	1,804	45,159
Provisions	31	2,309	2,104
Total current liabilities		6,491	66,128
Non-Current Liabilities			
Interest bearing liabilities	29	50,017	0
Other Financial Liabilities	30	2,499	604
Provisions	31	351	436
Total non-current liabilities		52,867	1,040
TOTAL LIABILITIES		59,358	67,168
NET ASSETS		555,637	543,194
Equity			
Asset revaluation reserve - Council	32	318,858	316,841
Asset revaluation reserve - Associates	32	1,589	1,568
Other reserves	33	23,631	10,948
Accumulated surplus	32	211,559	213,837
TOTAL EQUITY		555,637	543,194

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

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DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Statement of Changes in Equity

	Asset Revaluation Reserve - Council Note 32 (i) \$'000	Asset Revaluation Reserve - Associate Note 32 (ii) \$'000	Accumulated Surplus Note 32 (iii) \$'000	Other Reserves Note 33 \$'000	Total \$'000
2019					
Balance at beginning of year	316,841	1,568	213,837	10,948	543,194
Net result for the year	0	0	(2,278)	0	(2,278)
Other comprehensive income	2,017	21	0	12,683	14,721
Balance at end of year	318,858	1,589	211,559	23,631	555,637
2018					
Restated *					
Balance at beginning of year	308,792	1,446	203,684	9,829	523,751
Net effect of a correction of error	1,895		(472)		1,423
Restated balance at the beginning of the reporting period	310,687	1,446	203,212	9,829	525,174
Net result for the year	0	0	10,625	0	10,625
Other comprehensive income	6,154	122	0	1,119	7,395
Balance at end of year	316,841	1,568	213,837	10,948	543,194

*Refer to Note 4 for details of prior period restatement

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

DEVONPORT CITY COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Statement of Cash Flows

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities :			
Rates and other user charges		33,463	32,992
Refunds from Australian Taxation Office for GST		2,958	4,963
Interest		428	384
Contributions - cash		19	49
Government grants and subsidies		2,586	3,216
Investment revenue from TasWater		1,727	1,656
Dividend from Associate		335	421
Other investments		513	480
Other receipts		441	1,415
Payments to suppliers and employees		(29,967)	(32,124)
Finance Costs		(1,716)	(983)
Other payments		(1,326)	(848)
Net cash flows provided by operating activities	38	9,461	11,621
Cash flows from investing activities :			
Proceeds from sale of non current assets		3,299	486
Payments for non current assets		(21,406)	(45,889)
Capital grants		1,504	8,675
Loans to community organisations		4	3
Net cash used in investing activities		(16,599)	(36,725)
Cash Flows from financing activities :			
Proceeds from borrowings		7,661	26,189
Repayment of borrowings		(999)	(768)
Net cash provided by financing activities		6,662	25,421
Net increase / (decrease) in cash and cash equivalents		(476)	317
Cash and cash equivalents at beginning of the financial year		16,442	16,125
Cash and cash equivalents at end of the financial year	21	15,966	16,442

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

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 34.

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 26 and 44.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 24.

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019****1 Statement of accounting policies (continued)****(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 9 *Financial Instruments*

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

This standard replaces the existing standard, AASB 139 *Financial Instruments: Recognition and Measurement*, and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by an entities business model for holding the particular asset and its contractual cash flows.

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

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

- *Trade and other receivables* - classified as 'Loans and receivables' as at 30 June 2018, these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at 'Amortised cost' beginning 1 July 2018. Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information.

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

Council debtors at 30 June 2018 did not result in any revised credit losses due to Council already providing for debtors which would fall into this category.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

1 Statement of accounting policies (continued)

- *Investment in Taswater* - 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 44) 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.

There will be no impact on Council's accounting for financial liabilities, as the swaps in place are already accounted for as financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement have not been changed.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

There was no prior year impairment recognised due to the debtors all being expected to be received. This categorisation doesn't change for the reclassification under AASB 9 due to the nature of these debtors and their subsequent timely receipt. Council will continue to apply the revised requirements of AASB 9 to future impairment considerations.

(d) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 15 Revenue from Contracts with Customers

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

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

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

Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).

Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant.

Grants that are not enforceable and/or not sufficiently specific, will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are and will continue to be recognised as revenue upfront assuming no change to the current grant arrangements.

Council currently presents unexpended grant income received in note 7.

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

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

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

DEVONPORT CITY COUNCIL**Notes to the Financial Report****For the year ended 30 June 2019**

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

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

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

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

1 Statement of accounting policies (continued)

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Under AASB 1058, income is recognised when the taxable event has occurred. There will be no change to the way Council currently accounts for prepaid rates as Council currently defers revenue from prepaid rates until the commencement of the applicable rating period and recognises prepaid rates as a financial liability, in line with the pending accounting standard.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. It is estimated that the value of volunteer services is \$740,000 per annum, however they will not be recognised as they would not have been purchased if they had not been donated.

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

(ii) AASB 16 Leases

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

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

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

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

Council has assessed assets leased at "Peppercorn" rates from the Crown and determined that these assets do not meet the recognition criteria under AASB16 as Council does not have the right to direct how and for what purposes the assets are used throughout the period of use, therefore the application of this standard will have limited financial impact.

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

Council has several operating lease receivables. Lease receipts for these are recognised as income on a straight line basis, therefore no change in accounting treatment for these leases is expected.

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

(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 carried at cost 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.

(h) Rounding

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

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			
	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
Corporate	2,479	28,655	9,386	21,748	114,202
Community, Cultural & Recreation	114	1,055	7,433	(6,264)	5,353
Parking	0	2,283	1,927	356	21,489
Economic Development	1,000	(1,766)	2,551	(3,317)	12,697
Roads	450	(327)	7,398	(7,275)	134,060
Stormwater	0	(70)	2,164	(2,234)	78,079
Waste Management	0	4,364	4,132	232	1,495
Parks & Gardens	47	370	4,607	(4,190)	162,296
Buildings	0	0	368	(368)	82,074
Infrastructure Administration	0	120	393	(273)	3,163
Regulatory Services	0	694	1,387	(693)	87
TOTAL	4,090	35,378	41,746	(2,278)	614,995

2018 Restated

Programs	Revenue		Expenses	Surplus/(deficit) for Year	Assets
	Grants	Other			
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
Corporate	3,109	27,729	6,799	24,039	139,114
Community, Cultural & Recreation	169	1,117	7,219	(5,933)	5,121
Parking	0	2,689	1,563	1,126	22,452
Economic Development	7,500	199	1,740	5,959	62,713
Roads	1,016	(264)	7,143	(6,391)	135,242
Stormwater	0	46	2,016	(1,970)	76,282
Waste Management	0	4,137	4,158	(21)	1,563
Parks & Gardens	97	145	4,697	(4,455)	162,871
Buildings	0	0	390	(390)	1,797
Infrastructure Administration	0	(282)	394	(676)	3,115
Regulatory Services	0	813	1,476	(663)	92
TOTAL	11,891	36,329	37,595	10,625	610,362

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

	2019 \$'000	2018 \$'000
Current assets	25,187	20,132
Non-current assets	589,808	590,230
	614,995	610,362

* Refer to Note 4 for details of prior period restatement

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

2 Functions / activities

(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 Regional Gallery
Devonport Aquatic Centre
Devonport Recreation Centre
East Devonport Recreation Centre
Devonport Entertainment & Convention Centre
Visitor Information 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

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

3 Significant business activities

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

	2019		
	Parking	Waste Management	paranaple Arts Centre and Convention Centre*
	\$'000	\$'000	\$'000
Operating Statement			
Revenue			
Fees and charges	1,852	4,273	468
Other	693	91	89
Grants and contributions	0	0	86
Total revenue	2,545	4,364	643
Expenses - Direct			
Employee costs	331	448	1,173
Materials and services	725	3,628	1,118
Levies and taxes	178	3	36
Total expenses (before depreciation)	1,233	4,079	2,326
Capital costs			
Depreciation expense	350	53	411
Opportunity cost of capital	740	52	569
(Gain) / loss on sale of non-current assets	263	0	171
	1,353	105	1,151
Calculated surplus / (deficit)	(41)	181	(2,834)
Income Tax Equivalent Rate 30%			
Income tax equivalent	0	54	0
Total fully attributed costs	2,586	4,238	3,477

* During 2018/19 The Visitor Information Centre relocated to the Devonport Entertainment and Convention Centre and the two cost centres were combined. The Devonport Entertainment and Convention Centre was renamed the paranaple Arts Centre. The new convention space (Lot 3) within the Multi-purpose building is now known as the paranaple Convention Centre.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

3 Significant business activities (cont.)

	2018		
	Parking	Waste Management	Devonport Entertainment & Convention Centre
	\$'000	\$'000	\$'000
Operating Statement			
Revenue			
Fees and charges	1,706	4,085	233
Other	983	52	69
Total revenue	2,689	4,137	302
Expenses - Direct			
Employee costs	350	499	435
Materials and services	908	3,609	497
Levies and taxes	175	3	38
Total expenses (before depreciation)	1,432	4,111	970
Capital costs			
Depreciation expense	131	47	179
Opportunity cost of capital 2.5%	392	37	108
(Gain) / loss on sale of non-current assets	0	0	13
	523	84	300
Calculated surplus / (deficit)	734	(58)	(968)
Income Tax Equivalent Rate 30%			
Income tax equivalent	220	0	0
Total fully attributed costs	2,176	4,195	1,270

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 paranaple Art Centre and the paranaple Convention Centre (formerly known as the Devonport Entertainment and Convention Centre (DECC)) as defined above 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 3.37% (2017/18 2.5%) of assets; and
- income tax equivalents are calculated using the company tax rate

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

4 Correction of a Prior Period Error

As a requirement of the *Urban Drainage Act 2013*, Council is in the process of undertaking significant inspection of its stormwater network. This process will result in more precise information in both the geographic information system (GIS) and asset register. As a result of this process a number of stormwater assets have been identified as not being correctly stated resulting in corrections being made throughout the 2018/19 financial year. As the majority of corrections relate to assets taken up in prior years it is appropriate to restate the 30 June 2018 comparative figures for the Statement of Financial Position and Changes in Equity in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. In addition to the stormwater assets, a number of roads, parks and open space assets and a land asset has also been corrected and included with the restated figures.

The 30 June 2018 comparatives have been restated to reflect the following changes:

Property Plant and Equipment adjustments consisting of assets taken up \$1,895,227 and asset disposals of \$470,545 resulted in an overall increase to Property, Plant and Equipment of \$1,424,682.
Land assets decreased in value by \$3,431 (net of disposals)
Stormwater assets increased in value by \$1,544,636 (net of disposals)
Road assets decreased in value by \$135,112 (net of disposals)
Parks and Open Space assets increased in value by \$18,589 (net of disposals)

Statement of Comprehensive Income

The adjustment of \$470,545 for assets disposed is an adjustment to the opening accumulated surplus figure as it represents assets which were included on the asset register prior to 1 July 2017.

	Accumulated Surplus (Unadjusted) \$'000	Accumulated Surplus (Adjusted) \$'000	Prior period error Adjustment \$'000
Accumulated Surplus			
Balance at 1 July 2017	203,684	203,212	(472)
Balance at 30 June 2018	214,309	213,837	(472)

Statement of Financial Position as at 30 June 2018 (Extract)

Note	2018 \$'000	Correction of Error \$'000	Restated 2018 \$'000
Non-Current Assets			
Property, plant and equipment	442,010	1,423	443,433
Total non-current assets	588,807	1,423	590,230
TOTAL ASSETS	608,938	1,423	610,362
NET ASSETS	541,771	1,423	543,194
Equity			
Asset revaluation reserve - Council	314,946	1,895	316,841
Accumulated surplus	214,309	(472)	213,837
TOTAL EQUITY	541,771	1,423	543,194

Note 26 - Property, plant and equipment (Extract)

Land at fair value	26	149,687	(3)	149,684
		149,687	(3)	149,684
Parks and Open Space at fair value	26	24,817	45	24,862
Less: Accumulated Depreciation on improvements	26	10,002	27	10,029
		14,815	18	14,833
Roads at fair value	26	285,402	(175)	285,227
Less: Accumulated Depreciation on improvements	26	156,236	(40)	156,196
		129,166	(135)	129,031
Stormwater at fair value	26	125,919	2,262	128,181
Less: Accumulated Depreciation on improvements	26	54,229	719	54,948
		71,690	1,543	73,233
Total infrastructure assets at fair value	26	671,888	2,129	674,017
Less: Accumulated Depreciation on improvements	26	271,239	706	271,945
		400,649	1,423	402,072

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

5 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*.

	2019 \$'000	2018 \$'000
General rates	21,347	20,969
Penalty income from overdue rates and charges	110	99
Waste management rates & charges	3,703	3,567
Fire Service Levy	<u>2,816</u>	<u>2,692</u>
Total rates and service charges	<u><u>27,976</u></u>	<u><u>27,327</u></u>

The date of the last general revaluation of land for rating purposes within the municipal area was 1 July 2014, and the valuation was first applied in the rating year commencing 1 July 2015.

Accounting Policy

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

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
6 Fees and charges		
Admission charges	94	129
Animal registrations	89	96
Cemetery fees	227	208
Certificate charges	184	195
Development fees	422	369
Equipment hire fees	20	10
Facility hire	337	291
Fines	490	661
Licences	72	75
Parking fees	1,852	1,706
Property leases & rental	1,084	993
Sales of goods	411	246
Waste management fees	570	518
	<u>5,852</u>	<u>5,497</u>
Total fees and charges	5,852	5,497

Refer to Note 42 for the aging analysis of contractual receivables.

Accounting Policy**Fees and fines**

Fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for impairment is recognised when collection in full is no longer likely. Aged infringement debtors are forwarded to the Monetary Penalties Enforcement Service for collection on Council's behalf, and recorded as an expense at that time. Any amounts recovered by the Monetary Penalties Enforcement Service are recorded as income when received.

Property leases and rentals

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

Operating leases as lessor

Council leases properties at market rental values and, usually where tenants are not for profit entities such as community or sporting organisation, at subsidised or peppercorn rentals as part of its community support objectives.

All lease revenue is recorded on an accruals basis for the actual rental receivable. Subsidies and incentives are not quantified or separately recorded.

All leased properties are recognised at fair value (refer to note 26).

Sale of goods

Sale of goods are recognised as revenue when the product or service has been provided.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
7 Grants		
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	1,138	939
Commonwealth Government Financial Assistance Grants - Roads	1,284	1,196
State Government - Grant to demolish Maternity Hospital building	0	918
Arts	80	90
Community projects	27	16
Roads	57	57
Total recurrent grants	2,586	3,216
<p>The Australian Commonwealth Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB 1004: Contributions, Council recognised these grants as revenue when it received the funds and obtained control.</p>		
Conditions on grants		
<p>Non-reciprocal grants which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</p>		
Unexpended at the close of the previous reporting period	1,075	1,020
Less: expended during the current period from revenues recognised in previous reporting periods		
Financial Assistance Grants	(1,075)	(1,020)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Financial Assistance Grants	1,229	1,075
Unexpended at the close of this reporting period	1,229	1,075
Net increase (decrease) in non-reciprocal grant revenues for the year:	154	55
Capital grants received specifically for new or upgraded assets		
Roads to Recovery	222	898
Black Spot Program	137	118
Community Projects	7	0
State Government - Road Projects	91	0
Urban Renewal - 'LIVING CITY' Project	1,000	7,500
Parks & Open Spaces	47	159
Total capital grants	1,504	8,675
Total grants	4,090	11,891

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019****7 Grants (continued)****Accounting Policy****Grant income - operating and capital**

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

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

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

	2019 \$'000	2018 \$'000
8 Contributions		
Cash		
Training contributions	0	1
Sundry	24	48
Developer Contribution	(5)	0
Total	19	49
Non-monetary assets		
Parks and Open Space	199	328
Roads	179	681
Stormwater	127	289
Cultural & Heritage	5	25
Total	510	1,323

Accounting Policy

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

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

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

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
9 Investment revenue from TasWater		
Dividend revenue	573	1,010
Tax equivalent	372	483
Guarantee fee	73	150
	<u>1,018</u>	<u>1,643</u>

Accounting Policy

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

10 Other investment revenue

Interest received from investments	449	394
Dulverton tax equivalent	614	493
	<u>1,063</u>	<u>887</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.

11 Other income

Commission	186	210
Recoverables	404	347
Miscellaneous	515	628
	<u>1,105</u>	<u>1,185</u>

Other income is recognised progressively as it is earned.

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
12 Employee benefits		
Total wages and salaries	8,964	8,682
Annual and long service leave entitlements	1,164	1,194
Superannuation (Note 34)	1,198	1,178
Workers compensation and payroll tax	854	834
	<u>12,180</u>	<u>11,888</u>
Other employee related expenses	<u>130</u>	<u>133</u>
	12,310	12,021
Less amounts capitalised	<u>(346)</u>	<u>(374)</u>
	<u>11,964</u>	<u>11,647</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.

13 Materials and services

Advertising, printing & other office costs	269	330
Computer services and maintenance	737	462
Consultants	563	304
Contractors	5,768	6,354
General - services & materials	1,310	1,312
Insurance	299	268
Levies & taxes	3,519	3,394
Memberships - organisations	293	254
Plant expenses	619	616
Professional services	110	110
Telephone & postage services	210	124
Utilities	<u>1,698</u>	<u>1,671</u>
	<u>15,395</u>	<u>15,199</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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
14 Depreciation		
Parks and open space	698	672
Buildings	2,293	1,439
Plant	562	540
Furniture and fittings	350	341
Roads	4,355	4,222
Stormwater	1,302	1,198
Cultural and heritage	14	15
	<u>9,574</u>	<u>8,427</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.

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. 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 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

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
15 Finance costs		
Borrowing fees and charges	75	91
Interest - borrowings	1,641	892
Market Value Movement in Interest Rate Swaps	1,895	297
	<u>3,611</u>	<u>1,280</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 are expensed as incurred using the effective interest method. Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the market value of the swaps through the Statement of Comprehensive Income.

16 Other expenses

General expenses	245	66
Bank fees	86	102
Bad and doubtful debts	212	194
Councillors' remuneration	260	257
Grants and community benefits	399	423
	<u>1,202</u>	<u>1,042</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 2018/19 total \$53,533 (2017/18: \$50,275). Other audit services performed were the audits relating to the grant acquittal for Roads to Recovery funding 2018/19: \$1,250, (2017/18: \$1,200) and the grant acquittal of LIVING CITY funding, 2018/19: \$2,000.

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.

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
17 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds from sale	22,685	486
Written down value of assets disposed	<u>(23,504)</u>	<u>(1,925)</u>
	<u>(819)</u>	<u>(1,439)</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.

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

The majority of the loss on disposal relates to Road and Stormwater assets. Proceeds from the sale of Lot 1 of the parnaple Centre were \$19.38m. The written down value of assets disposed relating to Lot 1 were \$19.3m, which resulted in a gain on disposal of \$0.08M.

18 Donated Assets

There were no asset donations to other entities made during the reporting periods.

19 Capital works completed on assets not owned by Council

Capital works on assets not owned by Council	<u>0</u>	<u>(420)</u>
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During 2017/18 Council carried out construction works on State Government road assets including traffic signals on Fenton, Steele and William Streets and off ramp improvements on Middle Road.

20 Derecognition of assets

Derecognition of Infrastructure assets	<u>(2,885)</u>	<u>(516)</u>
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To enable the waterfront stage of the LIVING CITY Masterplan to progress, in 2018/19 Council demolished the building located at 20-26 Best St. and decommissioned the adjacent carpark, resulting in a loss on derecognition of \$2.9M.

As part of the LIVING CITY Masterplan, Council designated the southern CBD as the growth area for business services. During the 2016/17 year TasWater relocated their North West Office to this area.

Council agreed to purchase a number of properties to develop a car park to service this area.

Buildings were subsequently demolished, resulting in a loss on derecognition of \$494,000 in 2017/18.

The fibre optic cables that serviced the former Council Offices at 44-48 Best Street are no longer in use and have now been decommissioned, resulting in a loss on derecognition of \$22,000 in 2017/18.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
21 Cash and cash equivalents		
Cash at bank and on hand	1,565	2,791
Investments	<u>14,401</u>	<u>13,651</u>
	<u>15,966</u>	<u>16,442</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:		
- Grants received in advance (Note 7)	(1,229)	(1,075)
- Leave provisions (Note 31)	(2,660)	(2,540)
- Trust funds and deposits (Note 37)	<u>(141)</u>	<u>(139)</u>
Restricted Funds	<u>(4,030)</u>	<u>(3,754)</u>
Total unrestricted cash and cash equivalents	<u>11,936</u>	<u>12,688</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 six months or less, net of outstanding bank overdrafts.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
22 Trade and other receivables		
(i) Current receivables		
Rates	93	(32)
Infringement debtors	69	84
Sundry debtors	6,923	214
Expected credit loss - sundry debtors	(128)	0
Planning & health debtors	18	8
Net GST receivable	157	486
Loans and advances	4	4
Accrued revenue	442	365
Total current receivables	7,578	1,129
(ii) Non-current receivables		
Loans and advances	24	28
Total non-current receivables	24	28
Reconciliation of movement in expected credit loss		
Carrying amount at 30 June under AASB 139	0	0
Increase/(decrease) in provision recognised in profit or loss	(128)	0
Carrying amount at 30 June	(128)	0

Sundry Debtors

The parnaple Centre was constructed under a development agreement with the State Government. The building has been strata titled into 3 Lots, of which the State Government owns Lot 1 and a share of the associated common areas. As part of the consideration for Lot 1, the former Library situated at 19-23 Oldaker Street is to be transferred to Council. Council will recognise the value of the land and buildings at the Valuer Generals adjusted capital value of \$6.36M. As the title has not yet transferred, Council has included this amount at 30 June 2019 as a Sundry Debtor.

Accounting Policy under AASB 9 - applicable from 1 July 2018

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information. Council receives a report of Sundry Debtor balances in excess of \$200 that have been outstanding for longer than 90 days at 30 June to Council. For rates debtors, Council takes the view that unpaid rates represent a charge against the ratable property that will be recovered when the property is next sold. Council maintains a Sundry Debtor Management Policy which outlines the approach to debtor collection and management.

Accounting Policy under AASB 139 - applicable for 2018 comparatives

Receivables are carried at cost. A provision for impairment is recognised only when collection in full is no longer probable. Aged infringement debtors are forwarded to the Monetary Penalties Enforcement Service for collection on Council's behalf, and recorded as an expense at that time. Any amounts recovered by the Monetary Penalties Enforcement Service are recorded as income when received.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
23 Other assets		
(ii) Current assets		
Prepayments	226	164
Leasehold incentives	<u>80</u>	<u>0</u>
	<u>306</u>	<u>164</u>
(ii) Non-current assets		
Leasehold incentives	<u>268</u>	<u>0</u>
Total non-current other assets	<u>268</u>	<u>0</u>
Total other assets	<u>574</u>	<u>164</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.

Direct costs incurred in obtaining a lease such as leasehold incentives are accounted for as an asset and recognised as an expense over the lease term on the same basis as the lease income.

24 Investment in TasWater

Opening Balance	87,345	86,226
Fair Value adjustments on available-for-sale assets	0	1,119
Fair value adjustments on equity investment assets	12,683	0
Total investment in TasWater	<u>100,028</u>	<u>87,345</u>

Council has derived returns from TasWater as disclosed at Note 9.

Accounting Policy under AASB 9 - applicable from 1 July 2018

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 33) and not reclassified through the profit or loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council holds a 5.38% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

Accounting Policy under AASB 139 - applicable for 2018 comparatives

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the Corporation's net asset value at balance date. At 30 June 2018, Council held a 5.44% ownership interest in TasWater which is based on schedule 2 of the Corporation's Constitution. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income and allocated to a Fair Value Investment Reserve each year (refer note 33).

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

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DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
25 Investments in associates		
Investments in associates accounted for by the equity method are as follows:		
Dulverton Regional Waste Management Authority	<u>7,234</u>	<u>6,009</u>
Dulverton Regional Waste Management Authority		
Dulverton Regional Waste Management Authority is a Joint Authority established under the <i>Local Government Act 1993</i> (as amended). Further information is provided in Note 39 (i).		
Council's ownership interest in the Authority at 30 June 2019 was 43.45% (43.45% in 2018).		
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	4,884	3,219
Add: Prior year adjustment		(428)
Less: Authority's tax expense	<u>(1,343)</u>	<u>(966)</u>
Authority's profit/(loss) after tax	<u>3,541</u>	<u>1,825</u>
Council's equity interest	43.45%	43.45%
Share of profit after tax	<u>1,539</u>	<u>793</u>

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
25 Investments in associates (continued)		
Movement in carrying value of investment		
Carrying value of investment at start of year	6,009	5,515
Share of profit after tax	1,539	793
Dividend received	(335)	(421)
Share of asset revaluation	21	122
	<u>7,234</u>	<u>6,009</u>
Carrying value of investment at end of year		

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

Total Assets	29,810	23,895
Total Liabilities	13,160	10,065
Revenue	12,693	10,498

The investment value in Dulverton Regional Waste Management Authority recognised in the 2019 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 2020 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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

26 Property, infrastructure, plant and equipment	2019 \$'000	2018 \$'000
(a) (i) Land		
at fair value	<u>147,090</u>	<u>148,933</u>
Freehold land is comprised of the following :		
Parks, Reserves & General land	63,096	63,887
Other land (including under infrastructure)	<u>83,994</u>	<u>85,046</u>
	<u>147,090</u>	<u>148,933</u>
(ii) Parks and open space		
at fair value	25,547	23,346
Less : Accumulated depreciation on improvements	<u>(10,537)</u>	<u>(9,657)</u>
	<u>15,010</u>	<u>13,689</u>
(iii) Buildings		
at fair value	140,157	106,218
Less: Accumulated depreciation	<u>(45,640)</u>	<u>(44,229)</u>
	<u>94,517</u>	<u>61,989</u>
(iv) Plant		
at cost	7,626	7,526
Less: Accumulated depreciation	<u>(4,566)</u>	<u>(4,582)</u>
	<u>3,060</u>	<u>2,944</u>
(v) Furniture and fittings		
at cost	6,302	4,725
Less: Accumulated depreciation	<u>(2,986)</u>	<u>(3,538)</u>
	<u>3,316</u>	<u>1,187</u>
(vi) Total cultural and heritage assets		
at fair value	5,535	5,289
Less: Accumulated depreciation	<u>(182)</u>	<u>(168)</u>
	<u>5,353</u>	<u>5,121</u>
(vii) Total infrastructure assets		
at fair value	436,870	429,429
Less: Accumulated depreciation	<u>(227,273)</u>	<u>(219,859)</u>
	<u>209,597</u>	<u>209,570</u>
Infrastructure assets comprise:		
Roads	131,910	133,681
Stormwater	<u>77,687</u>	<u>75,889</u>
	<u>209,597</u>	<u>209,570</u>
Total net value of non current assets	<u>477,943</u>	<u>443,433</u>

Information relating to the determination of Fair Value for each relevant asset class is included at Note 44.

Refer to Note 4 for details of prior period restatement.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

26 Property, plant and equipment (continued)

2019

Reconciliation of property, infrastructure, plant and equipment

Note Ref.	Land \$'000	Parks and Open Space \$'000	Buildings \$'000	Plant \$'000	Furniture and Fittings \$'000	Roads \$'000	Stormwater \$'000	Cultural and Heritage \$'000	Total \$'000
Asset values									
	Carrying Amount at beginning of reporting period								
	148,933	23,346	106,218	7,526	4,725	296,051	133,378	5,289	725,466
	10	1,612	55,406	295	2,652	5,728	1,169	15	66,887
		0	0	0	0	0	0	0	0
		199	0	0	0	179	0	0	510
17.19.20	(2,020)	(246)	(24,928)	(195)	(1,083)	(3,303)	(492)	0	(32,267)
	0	633	3,156	0	0	300	3,722	226	8,037
	(1,019)	0	(2,145)	0	(25)	0	0	0	(3,189)
	1,786	3	2,450	0	33	11	0	0	3,683
	147,090	25,547	140,157	7,626	6,302	298,766	137,904	5,535	767,127
Accumulated depreciation									
	Opening balance								
	0	9,657	44,229	4,582	3,538	162,370	57,489	168	282,033
14	0	698	2,293	562	330	4,355	1,302	14	9,574
17.19.20	0	(102)	(2,036)	(578)	(784)	(2,162)	(216)	0	(5,878)
	0	283	1,619	0	0	2,476	1,642	0	6,020
	0	0	(1,827)	0	(24)	0	0	0	(1,851)
	0	1	1,269	0	11	5	0	0	1,286
	0	0	93	0	(105)	12	0	0	0
	0	10,537	45,640	4,566	2,986	167,056	60,217	182	291,184
	147,090	15,010	94,517	3,040	3,316	131,910	77,487	5,353	477,943
Total written down value 30 June 2019									

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

26 Property, plant and equipment (continued)

Reconciliation of property, infrastructure, plant and equipment

Note Ref.	Land \$'000	Parks and Open Space \$'000	Buildings \$'000	Plant \$'000	Furniture and Fittings \$'000	Roads \$'000	Stormwater \$'000	Cultural and Heritage \$'000	Total \$'000
Restated 2018*									
Asset values									
	149,684	24,862	93,320	7,408	4,541	285,227	128,181	4,912	698,135
	1,242	234	13,152	717	507	5,378	1,768	16	23,014
	0	328	0	0	0	681	289	25	1,323
17,19	(210)	(410)	(703)	(599)	(171)	(3,609)	(472)	(26)	(6,200)
	(596)	(1,710)	2,960	0	0	8,385	3,612	226	12,877
	(1,187)	(3)	(2,449)	0	(33)	(11)	0	0	(3,683)
	0	45	(62)	0	(119)	0	0	136	0
	148,933	23,346	106,218	7,526	4,725	296,051	133,378	5,289	725,466
Accumulated depreciation									
	0	10,029	42,794	4,543	3,282	156,196	54,946	153	271,945
14	0	672	1,439	540	341	4,222	1,198	15	8,427
17,19	0	(93)	(152)	(501)	(134)	(2,651)	(228)	0	(3,759)
	0	(950)	1,477	0	0	4,621	1,571	0	6,719
	(1)	(1)	(1,269)	0	(11)	(5)	0	0	(1,286)
	0	60	(60)	0	60	(13)	0	0	(13)
	0	9,657	44,229	4,582	3,538	162,370	57,489	168	282,033
	148,933	13,689	61,989	2,944	1,187	133,681	75,889	5,121	443,433

* Refer to Note 4 for details of prior period restatement

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

26 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:

	Threshold (\$)
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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

26 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 44.

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.

Land under roads

Council recognises the value of land under roads it controls at fair value.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
26.1 Assets held for sale		
Assets held for sale		
Internal transfer from Land	1,019	1,783
Internal transfer from Buildings	317	1,335
Internal transfer from Furniture & Fittings	1	22
Internal transfer from Parks & Open Spaces	0	2
Internal transfer from Roads	0	6
	<u>1,337</u>	<u>3,148</u>
Impairment adjustment	0	(751)
Total	<u><u>1,337</u></u>	<u><u>2,397</u></u>

Council is in the process of selling the following properties;

- Council has developed and subdivided land as part of the LIVING CITY waterfront development which it is in the process of selling. Settlement is expected within one year. The land is valued at the lower of carrying value and fair value less cost to sell.

- The Visitor Information Centre has moved to the paranaple Arts Centre. The former location of the Visitor Information Centre at 92 Formby Road is surplus to Councils needs and Council has determined that it will sell the property. It has been placed with real estate agents and is 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.

27 Capital work in progress - at cost

Parks and Open Space	196	249
Buildings	254	2,521
LIVING CITY Project	1,216	48,520
Plant	25	88
Furniture and Fittings	78	83
Roads	2,150	1,561
Stormwater	392	393
	<u>4,311</u>	<u>53,415</u>

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
28 Payables		
Current		
Trade creditors	431	767
Accruals	1,622	4,780
Income in advance	184	179
Sale proceeds in advance	0	13,000
Trust funds	141	139
	<u>2,378</u>	<u>18,865</u>

The paranaple Centre was constructed under a development agreement with the State Government. The building was strata titled into 3 Lots, of which the State Government owns Lot 1 and a share of the associated common areas. Consideration for Lot 1 included the sale proceeds in advance of \$13M recognised in 2018 and the former Library situated at 19-23 Oldaker Street. The transfer of Lot 1 has taken place in 2019, resulting in the sales proceeds in advance being recognised.

29 Interest bearing liabilities

Current		
Borrowings - secured	<u>1,804</u>	<u>45,159</u>
Non-current		
Borrowings - secured	<u>50,017</u>	<u>0</u>
	<u>51,821</u>	<u>45,159</u>
Loan Movements		
Opening balance	45,159	19,738
Loans raised	7,661	26,189
Repayments	<u>(999)</u>	<u>(768)</u>
Book value at period end	<u>51,821</u>	<u>45,159</u>

The maturity profile for Council's borrowings is:

Not later than one year	1,804	45,159
Later than one year and not later than five years	7,216	0
Later than five years	<u>42,801</u>	<u>0</u>
	<u>51,821</u>	<u>45,159</u>

Construction of the paranaple Centre was completed in 2018/19 and subsequently the construction loan was finalised and a principal and interest type loan was established. Council's loans are secured by a floating charge over rates income. The loan relating to LIVING CITY projects is secured by a mortgage over properties within the LIVING CITY development.

For further information on the classification of borrowings refer to Note 1 (j).

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

29 Interest bearing liabilities (continued)

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.

Operating leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

30 Other Financial Liabilities	2019 \$'000	2018 \$'000
Derivative Financial Instruments	<u>2,499</u>	<u>604</u>

Accounting Policy

Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the swaps through the Statement of Comprehensive Income. Details of the fair value of the swaps are included in Note 42.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
31 Provisions		
Current		
Employee entitlements:		
Annual leave and other leave	1,072	982
Long service leave	1,237	1,122
Non-current	2,309	2,104
Employee entitlements:		
Long service leave	351	436
Total provisions	2,660	2,540

Included in the above employee entitlements balances is an allowance for on costs amounting to \$184,756 (\$163,480 for 2018)

As at 30 June 2019, Devonport City Council had 143 full time equivalent employees (142 for 2018)

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.

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019**

32 Capital and capital reserves	2019	Restated*
(i) Asset revaluation reserve - Council	\$'000	2018
		\$'000
Movements in the asset revaluation reserve were as follows:		
Balance at the beginning of year	316,841	308,792
Correction of prior period error (Note 4)	0	1,895
Adjustment for rounding	0	(4)
Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value:		
Land	0	(596)
Parks & Open Space	350	(760)
Buildings	1,537	1,483
Roads	(2,176)	3,764
Stormwater	2,080	2,041
Cultural & Heritage	226	226
	<u>2,017</u>	<u>6,154</u>
Balance at end of year	<u>318,858</u>	<u>316,841</u>
(ii) Asset revaluation reserve - Associate		
Movements in the Asset Revaluation Reserve - Associate were as follows:		
Balance at the beginning of year	1,568	1,446
Share of asset revaluation movement - Associate (Note 25)	<u>21</u>	<u>122</u>
Balance at end of year	<u>1,589</u>	<u>1,568</u>
(iii) Accumulated surplus		
Movements in the Accumulated surplus as follows:		
Balance at beginning of year	213,837	203,684
Correction of prior period error (Note 4)	0	(472)
Surplus / (Deficit)	<u>(2,278)</u>	<u>10,625</u>
Balance at end of year	<u>211,559</u>	<u>213,837</u>

* Refer to Note 4 for details of prior period restatement

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

32 Capital and capital reserves (continued)

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.

33 Other reserves	2019 \$'000	2018 \$'000
(a) Fair value reserve		
Equity Investment assets		
Balance B/Fwd	10,948	0
Fair value adjustment on equity investment assets	<u>12,683</u>	<u>0</u>
	<u>23,631</u>	<u>0</u>
Available for sale assets		
Balance B/Fwd	0	9,829
Fair value adjustment on available for sale assets	<u>0</u>	<u>1,119</u>
	<u>0</u>	<u>10,948</u>
Balance as at 30 June	<u>23,631</u>	<u>10,948</u>

Accounting Policy

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

34 Superannuation

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

Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

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

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

Net Investment Return	7.0% p.a.
Salary Inflation	4.0% 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 2017.
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 2017.

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 2017.

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

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

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

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

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

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

34 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 Dependants 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 (\$67,424 2017/18), and the amount paid to accumulation schemes was \$1,198,323 (\$1,110,916 2017/18).

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 \$1,292,068.

As reported at the beginning of this note, assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2020.

An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2018, showed that the Fund had assets of \$57.48 million and members' Vested Benefits were \$48.39 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.

As at 30 June 2018 the fund had 119 members and the total employer contributions and member contributions for the year ending 30 June 2018 were \$1,515,272 and \$266,000 respectively.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

34 Superannuation (continued)

	2019 \$'000	2018 \$'000
Employer contributions to:		
Defined Benefits Fund	0	67
Accumulation Schemes	1,198	1,111
	<u>1,198</u>	<u>1,178</u>

35 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>1,956</u>	<u>12,074</u>
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Commitments are payable as follows :
Not later than 1 year

	<u>1,956</u>	<u>12,074</u>
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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. The 2018 total includes commitments to complete the construction of Stage 1 of the LIVING CITY project totalling \$10,505,000 including GST.

36 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2019.

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.

37 Trust funds

Trust deposits	<u>141</u>	<u>139</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 1.65% as at June 30 2019 (2018 1.9%).

Accounting Policy

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

38 Reconciliation of cash flows from operating activities to surplus / (deficit)	2019 \$'000	2018 \$'000
Surplus / (deficit)	(2,278)	10,625
Depreciation and amortisation	9,574	8,427
Non-cash donations subsidies and contributions	(510)	(1,323)
Share of profit in associate	(1,204)	(372)
Net (gain) / loss on disposal of assets	819	1,439
Derecognition of assets	2,885	516
Donated assets	0	0
Market value movement in fair value swaps	1,895	297
Investing activity		
Capital grants and contributions	<u>(1,504)</u>	<u>(8,675)</u>
Changes in operating assets and liabilities :	<u>11,954</u>	<u>309</u>
<i>(Increase) / decrease in receivables</i>	(89)	282
<i>(Increase) / decrease in other assets</i>	(410)	(68)
<i>Increase / (decrease) in payables</i>	164	510
<i>Increase / (decrease) in employee provisions</i>	<u>120</u>	<u>(37)</u>
	<u>(215)</u>	<u>687</u>
Net cash inflow from operating activities	<u>9,461</u>	<u>11,621</u>

38.1 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	45,159	19,738
Other movements		
Transfers to / (from) other Government entity		
Changes from financing cash flows:		
Cash Received	7,661	26,189
Cash Repayments	<u>(999)</u>	<u>(768)</u>
Closing Balance	<u>51,821</u>	<u>45,159</u>

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
39 Joint Authorities		
(i) Dulverton Regional Waste Management Authority		
The Council is a partner in the Dulverton Regional Waste Management Joint Authority established under the <i>Local Government Act 1993</i> (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 2019 the ownership share for Devonport was 43.45%.		
Value of ownership share	<u>7,234</u>	<u>6,009</u>

(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.

40 Controlling Authority transactions

	2019		2018	
	Income \$'000	Expenditure \$'000	Income \$'000	Expenditure \$'000
Maidstone Park Management Controlling Authority	11	6	10	8
Total	11	6	10	8

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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

41 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 (Acting Mayor from 19/03/2018, Elected Mayor from 2/11/2018)
C. Emmerton (to 2/11/2018)
G. Goodwin (to 2/11/2018)
A. Jarman (Councillor to 2/11/2018, Elected Deputy Mayor from 2/11/2018)
L. Laycock (Re-elected)
J. Matthews (to 2/11/2018)
T. Milne (to 2/11/2018)
L. Perry (Acting Deputy Mayor from 19/03/2018 to 2/11/2018)
G. Ennis (Elected 2/11/2018)
L. Murphy (Elected 2/11/2018)
S. Milbourne (Elected 2/11/2018)
P. Hollister (Elected 2/11/2018)
J. Alexiou (Elected 2/11/2018)
P. West
M. Atkins
J. Griffith
K. Peebles

General Manager

Deputy General Manager

Executive Manager Corporate Services

Executive Manager Organisational Performance

(ii) Councillor Remuneration

2019	Short term employee benefits		Total Compensation AASB 124	Expenses ³	Total allowances and expenses section 72
	Allowances	Vehicles ²			
	\$	\$		\$	\$
Mayor	77,298	6,326	83,624	3,835	87,459
Deputy Mayor	38,914		38,914	3,379	42,293
Councillor	143,890		143,890	30,598	174,488
Total	260,103	6,326	266,429	37,812	304,241

2018	Short term employee benefits		Total Compensation AASB 124	Expenses ³	Total allowances and expenses section 72
	Allowances	Vehicles ²			
	\$	\$		\$	\$
Mayor	73,699	6,458	80,157	4,102	84,259
Deputy Mayor	38,050		38,050	4,031	42,081
Councillor	145,298		145,298	27,290	172,588
Total	257,048	6,458	263,506	35,423	298,929

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

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

3. Section 72(1)(c) of the Local Government Act 1993 requires the disclosure of expenses paid to Councillors. The expenses relates to notional parking benefit of \$2,590 per permit per annum

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

(iii) Key Management Personnel Remuneration

2019	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	91,840	617	-	23,180	-	-	2,733	118,370
J.Griffith	140,000	2,427	-	18,500	-	-	8,074	169,001
M.Atkins	186,391	9,936	1,159	23,299	-	-	3,093	223,877
P.West	244,098	10,982	875	30,238	-	-	9,990	296,183
Total	662,329	23,962	2,034	95,217	-	-	23,888	807,431

2018	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	91,204	660	-	23,101	-	-	1,815	116,780
S.Crawford	59,818	4,073	-	7,477	-	73,946	(69,237)	76,077
J.Griffith	53,846	1,305	-	6,731	-	-	5,766	67,648
M.Atkins	156,917	8,715	1,209	22,095	19,846	-	(9,309)	199,473
P.West	236,988	10,365	1,090	28,274	-	-	13,097	289,814
Total	598,773	25,118	2,299	87,678	19,846	73,946	(57,868)	749,792

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

2. Benefit equates to the taxable value of the provision of a motor vehicle including personal use as per the fringe benefits tax calculation for the FBT year and the market value of parking provided.

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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

41 Related party transactions (continued)

(iv) Remuneration Principles

Councillor

The Councillors receive an allowance from Council in accordance with §340A 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 25.

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

	2019	2018
Commercial office space supplied by Council (subject to lease)	\$ 16,782	\$ 16,685
Utilities and other sundry reimbursements	\$ 1,955	\$ 790
Parking	\$ 3,400	\$ 3,180
Dividend Received	\$ 334,565	\$ 421,465
Cost of transfer of waste to the regional facility maintained by DRWMA	\$ 2,368,151	\$ 2,333,559

At 30 June 2019 Council owed DRWMA \$179,899 for the provision of services at standard commercial terms (\$390,441 in 2018). 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:

2019

Nature of the transaction	Amount	Outstanding balance at year end	Terms and conditions
Removalist Services*	\$ 8,800	\$ 0	Normal trading terms.

2018

Nature of the transaction	Amount	Outstanding balance at year end	Terms and conditions
Marketing**	\$ 22,000	\$ 0	As per agreement

*Council used the services of a Removalist company which has a member of Councils KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

**Council pays for marketing and promotion to a company which has a relative of a member of Councils KMP as a director. Amounts are on an accruals basis and are inclusive of GST.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

41 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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

42 Financial instruments

(a) Accounting policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and conditions									
Financial assets												
Cash and cash equivalents	21	Cash on hand and at bank and short term deposit accounts are valued at face value. Interest is recognised as it accrues.	Cash and deposits returned interest at rates between 1.00% and 2.75% (1.00% and 2.70% in 2017/2018). The weighted average interest rate at balance date was 2.54% (2.52% in 2017/2018).									
Receivables	22	Receivables are carried at face value. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured. Credit terms are based on 30 days. Overdue payments are lodged with a collection agency as and when deemed necessary.									
Financial liabilities												
Payables	28	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 relevant trading terms.									
Interest bearing loans	29	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables. The interest calculation also reflects the finance cost impact of the Interest Rate Swaps to represent Council's total cost of holding interest bearing loans.	Borrowings are secured by way of mortgages over the general rates of the Council and the underlying value of the infrastructure for which the borrowings were obtained. The weighted average interest rate on borrowings is 3.37% (3.09% in 2017/2018).									
Other financial liabilities	30	Interest rate swaps are recognised at the mark to market or fair value amount as determined by a third party. The movement in fair value is recognised as part of finance costs.	The interest rate swaps represent fixed interest charges varying between 2.09% and 2.92% (2.09% and 2.92% in 2017/2018). Terms range between 3 years and 7 years.									
Bank Overdraft	21	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand. The average interest rate on available overdraft was 8.21% (8.46% in 2017/2018).									
			<table border="1"> <thead> <tr> <th></th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Available Bank Overdraft Facility at year-end</td> <td>\$ 100,000</td> <td>\$ 100,000</td> </tr> <tr> <td>Utilised Bank Overdraft Facility at year-end</td> <td>\$ 0</td> <td>\$ 0</td> </tr> </tbody> </table>		2019	2018	Available Bank Overdraft Facility at year-end	\$ 100,000	\$ 100,000	Utilised Bank Overdraft Facility at year-end	\$ 0	\$ 0
	2019	2018										
Available Bank Overdraft Facility at year-end	\$ 100,000	\$ 100,000										
Utilised Bank Overdraft Facility at year-end	\$ 0	\$ 0										
Corporate credit cards		Credit card balances are recognised at the principal amount. Interest is charged as an expense as it accrues.	The credit card facility is secured by a mortgage over Council's general rates. The balance is paid in full on a monthly basis.									
			<table border="1"> <thead> <tr> <th></th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Available Credit Card Facility at year-end</td> <td>\$ 70,000</td> <td>\$ 70,000</td> </tr> <tr> <td>Utilised Credit Card Facility at year-end</td> <td>\$ 15,670</td> <td>\$ 16,225</td> </tr> </tbody> </table>		2019	2018	Available Credit Card Facility at year-end	\$ 70,000	\$ 70,000	Utilised Credit Card Facility at year-end	\$ 15,670	\$ 16,225
	2019	2018										
Available Credit Card Facility at year-end	\$ 70,000	\$ 70,000										
Utilised Credit Card Facility at year-end	\$ 15,670	\$ 16,225										

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

42 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:

2019	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	1,966	14,000	0	0	0	15,966
Receivables	0	4	24	0	7,417	7,445
Investment in Water Corporation	0	0	0	0	100,028	100,028
	1,966	14,004	24	0	107,445	123,439
Financial liabilities						
Payables	0	0	0	0	2,053	2,053
Other financial liabilities	2,499	0	0	0	0	2,499
Interest bearing liabilities	0	1,804	7,216	42,801	0	51,821
	2,499	1,804	7,216	42,801	2,053	56,373
Net financial assets / (liabilities)	(533)	12,200	(7,192)	(42,801)	105,392	67,066

2018	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	4,442	12,000	0	0	0	16,442
Receivables	0	4	19	10	637	669
Investment in Water Corporation	0	0	0	0	87,345	87,345
	4,442	12,004	19	10	87,982	104,456
Financial liabilities						
Payables	0	0	0	0	5,546	5,546
Other financial liabilities	604	0	0	0	0	604
Interest bearing liabilities	0	45,159	0	0	0	45,159
	604	45,159	0	0	5,546	51,309
Net financial assets / (liabilities)	3,838	(33,155)	19	10	82,436	53,147

Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the swaps through the Statement of Profit and Loss and Other Comprehensive Income. Council has not elected to apply hedge accounting to the transactions as per AASB 9 *Financial Instruments*. Six swaps are in place at 30 June 2019:

Amount	Date (effective)	Term (Years)	Interest Rate	Line Fee & Margin
\$5,000,000	31/10/2016	5	2.09%	0.94%
\$5,500,000	31/10/2016	7	2.26%	0.94%
\$5,000,000	31/10/2017	7	2.41%	0.94%
\$10,000,000	2/01/2018	3	2.47%	0.94%
\$10,000,000	2/01/2018	5	2.73%	0.94%
\$10,000,000	2/01/2018	7	2.92%	0.94%

As at 30 June 2019 the fixed interest rate on the swaps exceeded the variable rate with the following impact on the market value of the total swaps:

Amount	Date (effective)	Term (Years)	Interest Rate	Impact of Swap
\$5,000,000	31/10/2016	5	2.09%	126,072
\$5,500,000	31/10/2016	7	2.26%	274,384
\$5,000,000	31/10/2017	7	2.41%	326,143
\$10,000,000	2/01/2018	3	2.47%	228,253
\$10,000,000	2/01/2018	5	2.73%	593,264
\$10,000,000	2/01/2018	7	2.92%	950,937
Total				2,499,054

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019****42 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets				
Cash and cash equivalents	15,966	16,442	15,966	16,442
Receivables	7,445	671	7,445	671
Investment in Water Corporation	100,028	87,345	100,028	87,345
Total financial assets	123,439	104,458	123,439	104,458
Financial liabilities				
Payables	2,053	5,547	2,053	5,547
Other Financial Liabilities	2,499	604	2,499	604
Interest-bearing loans and borrowings	51,821	45,159	51,821	45,159
Total financial liabilities	56,373	51,310	56,373	51,310

(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.

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

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.

DEVONPORT CITY COUNCIL**Notes to the Financial Report
For the year ended 30 June 2019****42 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 36.

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:

	2019 \$'000	2018 \$'000
Current (less than 1 year)	7,256	527
Past due by over 1 year	84	56
Past due by over 2 years	28	27
Past due by over 3 years	19	12
Past due by over 4 years	58	47
	<u>7,445</u>	<u>669</u>
Total Trade & Other Receivables		

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

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

Ageing of individually impaired Trade and Other Receivables

At balance date, impaired debtor amounts identified totalled \$128,333 (2017/18 \$0). A provision has been raised against debtors at year end of \$128,333 (2017/18: \$0). 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.

2019	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Payables	2,053	0	0	0	0	2,053	2,053
Other financial liabilities	0	0	0	947	1,551	2,498	2,499
Interest bearing liabilities	1,470	1,460	2,888	8,428	60,145	74,391	51,821
Total financial liabilities	3,523	1,460	2,888	9,375	61,696	78,942	56,373

2018	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Payables	5,547	0	0	0	0	5,547	5,547
Other financial liabilities	0	0	0	322	282	604	604
Interest bearing liabilities	1,034	44,623	0	0	0	45,657	45,159
Total financial liabilities	6,581	44,623	0	322	282	51,808	51,310

DEVONPORT CITY COUNCILNotes to the Financial Report
For the year ended 30 June 2019**42 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.

	2019	Interest Rate Risk				
		-1%		+1%		
		-100 basis points		+100 basis points		
	2019 \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	
Financial assets:						
Cash and cash equivalents		15,966	(160)	(160)	160	160
Receivables		28	0	0	0	0
Financial liabilities:						
Other financial liabilities		2,499	-25	-25	25	25
Interest bearing liabilities		51,821	518	518	(518)	(518)

	2018	Interest Rate Risk				
		-1%		+1%		
		-100 basis points		+100 basis points		
	2018 \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	
Financial assets:						
Cash and cash equivalents		16,442	(164)	(164)	164	164
Receivables		32	0	0	0	0
Financial liabilities:						
Other financial liabilities		604	-6	-6	6	6
Interest bearing liabilities		45,159	452	452	(452)	(452)

DEVONPORT CITY COUNCILNotes to the Financial Report
For the year ended 30 June 2019**42 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 2019

Investment equity asset
Derivative financial liabilities

Level 1	Level 3	Total
0	100,028	100,028
	2,499	2,499

30 June 2018

Available for sale financial assets
Derivative financial liabilities

Level 1	Level 3	Total
0	87,345	87,345
	604	604

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

Reconciliation of Level 3 fair value movements:

	2019	2018
	\$'000	\$'000
Opening Balance	87,345	86,226
Fair Value adjustments on Available-for-Sale Assets	0	1,119
Fair value adjustments on equity investment assets	12,683	
	<u>100,028</u>	<u>87,345</u>
Closing Balance		

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

43 Management indicators	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
(a) Underlying surplus or deficit					
Recurrent income* less		41,004	40,542	39,773	39,331
Recurrent expenditure**		42,565	39,034	38,548	36,308
Underlying surplus/(deficit)	0	(1,561)	1,508	1,225	3,023

Council has reported an underlying deficit for the 2019 year, which is below the benchmark of a breakeven result. This is primarily due to recognising the estimated future movement in loan swaps of \$1.9M in the current year.

* 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 2019/20 Financial Assistance Grant of \$1,228,658 received in June 2019 and includes the prepaid 2018/19 Financial Assistance Grant of \$1,075,000 received in June 2018.

** Recurrent expenditure includes loss on disposal of property, plant & equipment of \$819,000

(b) Underlying surplus ratio					
Underlying surplus or deficit		(1,561)	1,508	1,225	3,023
Recurrent income		41,004	40,542	39,773	39,331
Underlying surplus ratio	0%	-3.81%	3.72%	3.08%	7.69%

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 report

(c) Net financial liabilities					
Liquid assets less		23,544	17,571	17,535	18,685
Total liabilities*		59,358	54,168	26,819	26,290
Net financial liabilities	0	(35,814)	(36,597)	(9,284)	(7,605)

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.

Property purchases and construction in relation to the LIVING CITY project have been funded by borrowings. At 30 June 2019 the balance of these loans totalled \$43,596,705 (2018 \$36,635,408).

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 201943 Management indicators (continued) Benchmark 2019 2018 2017 2016
\$'000 \$'000 \$'000 \$'000

(d) Net financial liabilities ratio

Net financial liabilities		(35,814)	(36,597)	(9,284)	(7,605)
Recurrent income*	0% - (50%)	41,004	40,542	39,773	39,331
Net financial liabilities ratio %		(87.34%)	(90.27%)	(23.34%)	(19.34%)

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 asset management plan of Council

<i>Parks and open space</i>					
Depreciated replacement cost		15,010	13,671	14,620	13,573
Gross replacement cost		25,547	23,301	23,806	21,779
Asset consumption ratio %	40-60%	59%	59%	61%	62%
<i>Buildings</i>					
Depreciated replacement cost		94,517	61,989	50,526	48,204
Gross replacement cost		140,157	106,218	93,320	87,503
Asset consumption ratio %	40-60%	67%	58%	54%	55%
<i>Roads</i>					
Depreciated replacement cost		131,910	133,816	129,021	123,630
Gross replacement cost		298,966	296,226	285,192	272,377
Asset consumption ratio %	40-60%	44%	45%	45%	45%
<i>Stormwater</i>					
Depreciated replacement cost		77,687	74,346	69,622	67,720
Gross replacement cost		137,904	131,116	117,962	117,962
Asset consumption ratio %	40-60%	56%	57%	59%	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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

43 Management indicators (continued)	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'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 strategic asset management plan of Council					
<i>Parks and open space</i>					
Projected capital funding outlays**		2,361	2,776	3,677	2,967
Projected capital expenditure funding***		9,871	9,401	8,508	6,784
Asset renewal funding ratio %	90-100%	24%	30%	43%	44%
<i>Buildings</i>					
Projected capital funding outlays**		9,218	8,480	7,989	6,193
Projected capital expenditure funding***		4,700	4,700	4,700	4,230
Asset renewal funding ratio %	90-100%	196%	180%	170%	146%
<i>Roads</i>					
Projected capital funding outlays**		35,225	34,669	35,544	28,994
Projected capital expenditure funding***		36,916	36,283	34,351	29,662
Asset renewal funding ratio %	90-100%	95%	96%	103%	98%
<i>Stormwater</i>					
Projected capital funding outlays**		7,778	6,681	5,955	4,773
Projected capital expenditure funding***		313	315	235	110
Asset renewal funding ratio %	90-100%	2485%	2121%	2534%	4339%

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 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 2019 which included a Long Term Financial Plan to 30 June 2029. 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 prepared in 2011 and are currently being 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 the updated Asset Management Plans.

This ratio is not subject to audit

DEVONPORT CITY COUNCILNotes to the Financial Report
For the year ended 30 June 2019

43 Management indicators (continued)	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
(g) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		4,014	5,026	5,581	5,035
Annual depreciation expense		9,574	8,427	8,393	8,666
Asset sustainability ratio %	100%	42%	60%	66%	58%

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

Council has experienced a period of investment in new assets and this is reflected in the result for this indicator in the period reported. Council will continue to monitor its performance through the Long Term Financial Plan and manage assets in accordance with the Asset Management Plans.

By Asset Class:	Capital renewal expenditure	Capital new expenditure	Total Capital Expenditure Cash Flow
Land	0	0	0
Parks and Open Space	149	654	803
Buildings*	0	14,670	14,670
Plant	139	610	749
Furniture and Fittings	221	19	240
Roads	3,285	1,062	4,347
Stormwater	220	377	597
Total	4,014	17,392	21,406

* The buildings category above includes \$13,165,577 in relation to LIVING CITY.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

44 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 26.1. 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 2019.

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 2019

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	24	0	0	100,028	100,028
Land	26	0	147,090	0	147,090
Buildings	26	0	74,619	19,898	94,517
Roads, including footpaths and cycleways	26	0	0	131,910	131,910
Stormwater	26	0	0	77,687	77,687
Parks & open space	26	0	0	15,010	15,010
Cultural and heritage	26	0	5,353	0	5,353
Other financial liabilities	30	(2,499)	0	0	(2,499)
		(2,499)	227,062	344,533	569,096
Non - recurring fair value measurements					
Assets held for sale	26.1	1,336	0	0	1,336
		1,336	0	0	1,336
Total fair value measurements		(1,163)	227,062	344,533	570,432

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

44 Fair Value Measurements (cont.)**As at 30 June 2018 Restated***

Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Investment in water corporation	24	0	0	87,345
Land	26	0	147,746	0
Buildings	26	0	41,484	19,325
Roads, including footpaths and cycleways	26	0	0	133,675
Stormwater	26	0	0	75,889
Parks & open space	26	0	0	13,687
Cultural and heritage	26	0	5,121	0
Other financial liabilities	30	(604)	0	0
		(604)	194,351	329,921
				523,668
Non - recurring fair value measurements				
Assets held for sale	26.1	2,375	0	0
		2,375	0	0
				2,375

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.

*Refer to Note 4 for details of prior period restatement

(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 24 and 42 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. 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. Land was indexed at the year ended 30 June 2019 reflecting the Valuer-Generals revised indexation factors at March 2019. 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 2015. The most significant input into this valuation approach is price per square metre.

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. The rates were supplied by the office of the Valuer General and have been discounted by 30% to reflect the nature of the land.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

44 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.

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.

Buildings were indexed at 30 June 2019 with the application of the Australian bureau of Statistics Non-Residential Building Construction Tasmanian rate over applicable building categories and the Valuer-General adjustment factor at March 2019 over the remaining category.

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 based on a "Greenfield" assumption meaning that the GRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Depreciation is applied on a straight line basis. Estimated useful lives are disclosed in Note 14.

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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2019

44 Fair Value Measurements (cont.)

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.

Stormwater

A full valuation of stormwater infrastructure was undertaken by Council staff effective 30 June 2017. 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.

Parks & Open Space

A full valuation of parks & open space was undertaken by Council staff effective 30 June 2018. The asset class is reviewed between valuations and indexed as required.

Cultural & Heritage

The valuation of Council's art collection was determined by D. Bell, an independent art valuer, as at 4 November 2011. The art collection is indexed annually using the rates determined by the independent valuer.

Other financial liabilities

Refer to note 42 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 26 and 42.

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	26	0	(1,019)	0	(1,019)
Buildings	26	0	(317)	0	(317)
		0	(1,336)	0	(1,336)
Non-recurring fair value measurements					
Assets held for sale	26.1	1,336	0	0	1,336
		1,336	0	0	1,336
		1,336	(1,336)	0	0

(f) Valuation processes

Council's valuation policies and procedures are determined by the Asset Management Team which includes the City Engineer and Executive Manager Organisational Performance. Policies are then reviewed by the Senior Management Group before referral to the Executive Leadership Team. They are reviewed every 2 years or sooner to reflect changes in accounting treatment. Revaluation Guidelines are prepared each year and reviewed by the Asset Management Team. The Guidelines are referred to the Audit Panel for review and comment and ultimately to Council.

Council's current policies for the valuation of property, infrastructure, plant and equipment and investment in water corporation are set out in Note 24 and 26.

(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 42)

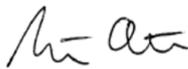
The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2018

Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2019, 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
ACTING GENERAL MANAGER

Dated: 27 September 2019.

FINANCIAL STATEMENTS PREPARATION AND SUBMISSION CHECKLIST

Please enclose the completed checklist with the submitted financial statements.

Entity name: Devonport City Council

Criteria	Yes/No	Initials
1 Financial statements include appropriately worded certification.	YES	JJ
2 Financial statements correspond with applicable financial reporting framework relevant to the entity.	YES	JJ
3 Financial statements comply with other legal and regulatory requirements relating to the processing of transactions, recording of balances and the preparation of the financial report or other requirements that could have a material impact on the financial statements.	YES	JJ
4 Financial statements are complete and comprise:		
a) a statement of financial position* as at the end of the period	YES	JJ
b) a statement of profit or loss and other comprehensive income*^ for the period	YES	JJ
c) a statement of changes in equity* for the period	YES	JJ
d) a statement of cash flows* for the period	YES	JJ
e) summary of significant accounting policies .	YES	JJ
f) all relevant notes are cross-referenced to the financial statements (statements of financial position, profit and loss, changes in equity and cash flows)	YES	JJ
g) other relevant explanatory information required within the reporting framework and applicable accounting standards (refer Appendix A).	YES	JJ
*An entity may use other titles for the statements		
^An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.		
5 Financial statement are accurate:		
a) statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows (including administered statements) are mathematically accurate	YES	JJ
b) financial statements include comparative information in respect of the previous year for all amounts reported in current period and these correspond with prior year audited financial statements	YES	JJ
c) cross-references in the main statements correspond with appropriate notes	YES	JJ
d) reconciliation of net result to cash flows from operating activities is complete	YES	JJ
6 Narrative and descriptive information in the financial statements is sufficient and relevant to understand the financial position and performance of the entity and reflects our understanding of it (refer Appendix A).	YES	JJ
7 Changes relating to financial statements presentation agreed to in the previous period have been addressed.	YES	JJ

Appendix A – Required Notes

Councils

Criteria, completion of the following notes		Yes/No	Initials
1	Council reporting entity disclosures	YES	JJ
2	Basis of accounting and other significant accounting policies (including judgement and estimate) disclosures	YES	JJ
3	Functions/activities of Council	YES	JJ
4	Investment revenue from Water corporations disclosure	YES	JJ
5	Depreciation schedules and disclosures	YES	JJ
6	Investment in water corporation disclosure and fair value measurement notes	YES	JJ
7	Receivables key assumptions and judgement disclosures and movement reconciliation	YES	JJ
8	Property, plant & equipment tables, reconciliations and fair value measurement notes	YES	JJ
9	Significant Trust funds and deposit disclosures	YES	JJ
10	Significant provisions disclosures	YES	JJ
11	Interest bearing loans and borrowings schedules and notes	YES	JJ
12	Reserve disclosure schedules and reconciliations	YES	JJ
13	Cash and deposits disclosures, cashflow reconciliations and acquittals	YES	JJ
14	Equity investment key assumptions and judgement disclosures and movement reconciliation	YES	JJ
15	Significant superannuation note disclosures	YES	JJ
16	Commitments & Contingencies schedules and disclosures	YES	JJ
17	Financial instruments disclosures	YES	JJ
18	Related party and KMP disclosures	YES	JJ
19	Events occurring after balance date	YES	JJ
20	Significant accounting policies	YES	JJ
21	Changes in accounting policies	YES	JJ

5.3 TENDER REPORT CONTRACT CT0261 STEWART STREET RENEWAL

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 2.3.2 Provide and maintain roads, bridges, paths and car parks to appropriate standards

SUMMARY

This report seeks Council's approval to award Contract CT0261, Stewart Street Renewal William Street to Gunn Street to Civilscape Contracting Tasmania for a total sum of \$261,146.

BACKGROUND

This report considers tenders received for "Stewart Street Renewal" listed within the 2019/20 capital expenditure budget.

This project involves the construction of a new kerb and channel, driveway improvements, pavement and seal and installing street trees.

Features:

- ① New Access Ramps - provide better pedestrian crossing
- ② New Kerb and Channel - to improve road drainage
- ③ Kerb narrowed for Residential Street
- ④ New Driveways - improve vehicle access to properties
- ⑤ Street Trees - improve amenity
- ⑥ New Wearing Surface and Pavement - stronger pavement & surfacing



STATUTORY REQUIREMENTS

Council is required to comply with Section 333A of the *Local Government Act 1993* and its adopted Code for Tenders and Contracts when considering awarding tenders.

DISCUSSION

In accordance with Council's Code of Tenders and Contracts, a Tender Planning and Evaluation Committee was formed to evaluate the tenders received.

Tenders were received from three companies. All tenders received were conforming tenders and are summarised in table 1.

TABLE 1

No.	Tender	Status	Tender Price (ex GST)
1	Civilscape Contracting Tasmania	Conforming	\$261,146
2	Hardings Hotmix Pty Ltd	Conforming	\$284,618
3	Kentish Construction and Engineering Company Pty Ltd (trading as Treloar Transport)	Conforming	\$314,901

The Tender Planning and Evaluation Committee have considered the tenders against each of the selection criteria, these being:

- Relevant Experience
- Quality, Safety and Environmental Management
- Methodology
- Price

The evaluation by the Committee indicates that Civilscape Contracting Tasmania scored highest overall against the selection criteria and therefore offers Council the best value for money.

The Tender Planning and Evaluation Committee minutes are available for Councillors to view, upon request.

COMMUNITY ENGAGEMENT

A public advertisement calling for tenders was placed in the Advocate Newspaper on 14 September 2019 and tenders were also advertised on Council's website.

FINANCIAL IMPLICATIONS

The 2019/20 capital expenditure budget includes an allocation for the "Stewart Street Renewal" project of \$405,000.

The breakdown of the forecast expenditure for this project is summarised below in table 2.

TABLE 2

No.	Tender	Budget (ex GST)
1	Contract CT0261	\$261,146
2	Tree & Plants Purchase	\$ 5,950
3	Project management/administration (\$11,000 to date)	\$ 17,000
4	Construction contingency (15%)	\$ 39,172
5	Additional footpath works	\$ 20,000
	TOTAL	\$343,268

An allowance of \$20,000 (ex GST) was allocated to undertake renewal of footpaths. This work was omitted from the tender, but it was later considered that renewing parts of the footpath would deliver a better outcome.

The forecast expenditure is well within the allocated budget for the project.

RISK IMPLICATIONS

To minimise risk, the tender administration processes related to this contract comply with Council's Code for Tenders and Contracts which was developed in compliance with Section 333A of the *Local Government Act 1993*.

The contingency allowance for this project is 15% of the contract price. The risk of variations is moderate and includes risk of poorer than expected ground conditions and issues associated with underground services.

CONCLUSION

Taking into account the selection criteria assessment, the Tender Planning and Evaluation Committee has determined that Civilscape Contracting Tasmania meets Council's requirements and is therefore most likely to offer "best value" in relation to Contract CT0261 Stewart Street Renewal William Street to Gunn Street.

ATTACHMENTS

Nil

RECOMMENDATION

That Council, in relation to Contract CT0261 Stewart Street Renewal William Street to Gunn Street:

- a) award the contract to Civilscape Contracting Tasmania for the tendered sum of \$261,146 (ex GST);
- b) note that tree and plant costs for the project are estimated at \$5,950 (ex GST);
- c) project management costs for the project are estimated at \$17,000 (ex GST);
- d) note a contingency allowance of \$39,172 (ex GST) and
- e) note an allowance of \$20,00 (ex GST) for footpath work.

Author:	Shannon Eade	Endorsed By:	Matthew Atkins
Position:	Project Management Officer	Position:	Deputy General Manager

5.4 TENDER REPORT CONTRACT CT0269 WINSPEARS ROAD RENEWAL STAGE 2

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 2.3.2 Provide and maintain roads, bridges, paths and car parks to appropriate standards

SUMMARY

This report seeks Council's approval to award Contract CT0269, Winspears Road Renewal Stage 2 to Walters Contracting as a schedule of rates contract.

BACKGROUND

This report considers tenders received for "Winspears Road Renewal Stage 2" listed within the 2019/20 capital expenditure budget.

The renewal of pavement and seal of the rural section of Winspears Road stage 1 was completed in March 2019. The next stage of the project involves continuing with the rest of the Winspears Road upgrade to Council's eastern boundary.

The contract was written as a schedule of rates contract, with tenderers submitting rates for the various work components required for the project. This approach allows flexibility in the extent of work and ensures that the maximum length of road can be renewed within the project budget.



- New road pavement & surfacing
- Strengthening the road
- New stormwater pipe road crossing
- Improving local stormwater discharge
- New reseal
- Extending the life of the existing road



DEVONPORT CITY COUNCIL: Winpears Rd Stage 2 Renewal
ALL ENQUIRIES - 64240511

STATUTORY REQUIREMENTS

Council is required to comply with Section 333A of the *Local Government Act 1993* and its adopted Code for Tenders and Contracts when considering awarding tenders.

DISCUSSION

In accordance with Council's Code for Tenders and Contracts, a Tender Planning and Evaluation Committee was formed to evaluate the tenders received.

Tenders were received from four companies. All tenders received were conforming tenders and are summarised in table 1.

TABLE 1

No.	Tender	Status	Tender Price (ex GST)
1	Walters Contracting	Conforming	\$218,981
2	Hardings Hotmix Pty Ltd	Conforming	\$326,574
3	Kentish Construction and Engineering Company Pty Ltd (trading as Treloar Transport)	Conforming	\$340,483
4	Civilscape Contracting Tasmania	Conforming	\$355,223

The Tender Planning and Evaluation Committee have considered the tenders against each of the selection criteria, these being:

- Relevant Experience
- Quality, Safety and Environmental Management
- Methodology
- Price

The evaluation by the Committee indicates that Walters Contracting scored highest overall against the selection criteria and therefore offers Council the best value for money.

The Tender Planning and Evaluation Committee minutes are available for Councillors to view, upon request.

COMMUNITY ENGAGEMENT

A public advertisement calling for tenders was placed in the Advocate Newspaper on 28 September 2019 and tenders were also advertised on Council's website.

FINANCIAL IMPLICATIONS

The 2019/20 capital expenditure budget includes an allocation for the "Winspears Road Renewal Stage 2" project of \$250,000.

The breakdown of the budget for this project is summarised below in table 2.

TABLE 2

No.	Tender	Budget (ex GST)
1	Contract CT0269 (schedule of rates)	\$218,981
3	Project management/administration	\$ 15,000
4	Construction contingency (20%)	\$ 43,796
	TOTAL	\$277,777

The contract was written as a schedule of rates and Council have received competitive rates. Initially it was assumed that the remaining section of road would be renewed in two parts over two financial years. However, the tendered rates allow the entire remaining

section to be completed for a cost only marginally in excess of the available budget. This is the preferred option compared to leaving a very short length for next year or underutilising the available budget this year to do half the length and leaving half for next year. Renewing the full length of Winspears Road this year has other benefits, notably

- less disruption to the public;
- lower Council and contractor overhead cost;
- will allow funds nominally allocated to Winspears Road in 2020/21 to be reallocated to other renewal projects.

If the full contingency is required, the forecast over expenditure will be \$27,777. This will be offset by savings on other capital projects where forecast expenditure is less than the allocated budget. Forecasts as at 30 September indicate total savings of \$178,058 have been made and most of this is potentially available to cover cost overruns on projects yet to be commenced.

RISK IMPLICATIONS

To minimise risk, the tender administration processes related to this contract comply with Council's Code for Tenders and Contracts which was developed in compliance with Section 333A of the *Local Government Act 1993*.

The contingency allowance of 20% of the contract price was allocated due to medium risk to the project, specifically:

- significant variation in estimated quantities; and
- unsuitable ground conditions are encountered.

CONCLUSION

Taking into account the selection criteria assessment, the Tender Planning and Evaluation Committee has determined that Walters Contracting meets Council's requirements and is therefore most likely to offer "best value" in relation to Contract CT0269 Winspears Road Renewal Stage 2.

The forecast over expenditure on this project can be offset by savings forecast on other transport projects.

ATTACHMENTS

Nil

RECOMMENDATION

That Council, in relation to in relation to Contract CT0269 Winspears Road Renewal Stage 2

- a) award the contract to Walters Contracting for the schedule of rates sum of \$218,981 (ex GST);
- b) project management costs for the project are estimated at \$15,000 (ex GST); and
- c) a construction contingency of \$43,796 is included (ex GST).
- d) note that no allocation is required in the 2020/21 Capital Works Program for Winspears Road renewal - stage 3.

Author:	Shannon Eade	Endorsed By:	Matthew Atkins
Position:	Project Management Officer	Position:	Deputy General Manager

6.0 INFORMATION

6.1 WORKSHOPS AND BRIEFING SESSIONS HELD SINCE THE LAST COUNCIL MEETING

Council is required by Regulation 8(2)(c) of the *Local Government (Meeting Procedures) Regulations 2015* to include in the Agenda the date and purpose of any Council Workshop held since the last meeting.

Date	Description	Purpose
7/10/2019	Cradle Coast Authority Update	Update on operations of the Cradle Coast Authority and Coastal Pathway project.
	Senior Citizens Parking	Discussion of parking options for the Devonport Senior Citizens Club users.
	Fenton/Stewart Streets Round-a-bout	Update on contract CT0267 and discussion around bus logistics.
14/10/2019	Cat Management	Discussion on the Tasmanian Cat Management project and Council's involvement.

RECOMMENDATION

That the report advising of Workshop/Briefing Sessions held since the last Council meeting be received and the information noted.

Author: Position:	Robyn Woolsey Executive Assistant Management General	Endorsed By: Position:	Paul West General Manager
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6.2 MAYOR'S MONTHLY REPORT

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.3.2 Provide appropriate support to elected members to enable them to discharge their functions

SUMMARY

This report details meetings and functions attended by the Mayor.

BACKGROUND

This report is provided regularly to Council, listing the meetings and functions attended by the Mayor.

STATUTORY REQUIREMENTS

There are no statutory requirements which relate to this report.

DISCUSSION

In her capacity as Mayor, Councillor Annette Rockliff attended the following meetings and functions between 19 September and 23 October 2019:

- Council meeting, Various Council Committees, Special Interest Group and Working Group meetings and workshops as required.
- Meetings with staff members and Councillors as requested.
- Media as requested: 7AD, ABC, The Advocate
- Met with community members on a range of issues
- Chaired Tasmanian Women's Council meeting in Launceston
- Attended Christmas in the East committee meeting
- Attended Eisteddfod Showcase
- Attended National Basketball 'Blitz' events and games
- Attended presentations by Rural Clinical School students at Mersey Community Hospital
- Attended the NWFL Grand Final
- Officially opened the Bowls season at Devonport Bowls Club
- With Deputy Mayor Jarman visited Don College, including tour of VET facilities – and lunch
- Attended reception for Education Department 150 years celebration
- Acted as MC for Concert celebrating 150 years of compulsory education in Tasmania
- Welcomed delegates to Neighbourhood Houses Tasmania conference
- Attended the opening of the refurbished Devonport Corporate Centre
- Conducted a Citizenship Ceremony for nine new Australians
- Attended the opening of new exhibitions at the Gallery (x2)
- Attended the Arboretum Association AGM
- Chaired meeting of the North West Suicide Prevention Trial Site Working Group (x 2)
- Attended the presentation dinner for the National Junior Squash Championships, welcoming participants and presenting some of the trophies.
- Attended Rural Clinical School Advisory Group meeting in Burnie
- Attended Cradle Coast Authority Board Strategic Planning workshop
- With Acting General Manager met with Minister Shelton (Local Government, Police, Fire and Emergency Management Minister)

Report to Council meeting on 28 October 2019

- Presented trophies to National Junior Squash Championships teams' winners
- Attended Food & Wine Festival events including the Spring Fling
- Attended the Devonport Orchid Society Show
- Officially launched Mental Health Week in Devonport
- Attended Mental Health Week event – movie and discussion panel
- Met with Justine Keay re The Island Project
- Spoke at the Anglicare Mental Health Week Expo in the Mall
- Attended a Mental Health Week special event in the Gallery
- Attended the launch of the Mersey Yacht Club 2019-20 season
- Attended a teleconference meeting of the Local Government Association of Tasmania General Management Committee
- Attended the Arboretum Committee meeting
- Attended the Seniors Week 50+ Years Ratepayers lunch
- Officially opened the Seniors Week Expo Get Out Get Social
- Attended the NW Film Society special Seniors Week screening
- Officially welcomed delegates to the Local Government Professionals State Conference
- Attended Tasmanian Suicide Prevention Committee meeting
- Officially welcomed delegates to the Australian Regional Tourism Convention

ATTACHMENTS

Nil

RECOMMENDATION

That the Mayor's monthly report be received and noted.

6.3 GENERAL MANAGER'S REPORT - OCTOBER 2019

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.8.2 Ensure access to Council information that meets user demands

SUMMARY

This report provides a summary of the activities undertaken by the General Manager (or the person acting in the role), 19 September and 23 October 2019. It also provides information on matters that may be of interest to Councillor's and the community.

BACKGROUND

A monthly report provided by the General Manager to highlight management and strategic issues that are being addressed by Council. The report also provides regular updates in relation to National, Regional and State based local government matters as well as State and Federal Government programs.

STATUTORY REQUIREMENTS

Council is required to comply with the provisions of the *Local Government Act 1993* and other legislation. The General Manager is appointed by the Council in accordance with the provisions of the Act.

DISCUSSION

1. COUNCIL MANAGEMENT

- 1.1. Attended and participated in several internal staff and management meetings.
- 1.2. Attended Workshops, Section 23 Committee and Council Meetings as required.
- 1.3. Attended digital security training. This training was compulsory for all indoor staff to assist in reducing Council's risk to cyber fraud.
- 1.4. Participated in a number of internal workshops to review Council's risk register.
- 1.5. Attended a harassment, bullying and anti-discrimination awareness session presented by a representative of Equal Opportunity Tasmania. A number of sessions were held to ensure all staff attended.

2. COMMUNITY ENGAGEMENT (RESIDENTS & COMMUNITY GROUPS)

- 2.1. Met with a local developer regarding a number of opportunities they are currently exploring in Devonport.
- 2.2. With the Mayor, Deputy Mayor and Cr Laycock attended the 50-year Ratepayer luncheon held during Seniors Week. Twenty-two (22) ratepayers attended the event at the paranple convention centre.

3. NATIONAL, REGIONAL AND STATE BASED LOCAL GOVERNMENT

- 3.1. Attended the Local Government Association of Tasmania (LGAT) facilitated General Managers' Meeting in Hobart. Items discussed included:
 - Presentation by Kingborough Council on the LG Professional National Management Challenge

- Dr Lisa Denney - Demographer outlined studies relating to the impact of population change within Tasmania. Outlined the view that mid-century Tasmania's population is likely to plateau moving back towards decline by the turn of the century.
 - Reducing Disaster Risk – presentation on the national disaster framework and the likely implications for future funding and mitigation projects.
 - Policy Update.
 - Professional Development training – Culture and Human Synergistics.
 - Alex Tay – Director Local Government – primary discussion was around the Local Government Act review and feedback provided during the public consultation.
- 3.2. The 2019 Local Government Professionals Conference was held in Devonport on 17 and 18 October. Presentations were provided to the conference attendees which focussed on local and emerging issues within the sector. The Mayor formally welcomed delegates to Devonport on behalf of Council. The Minister for Local Government also attended on behalf of the State Government.
4. STATE AND FEDERAL GOVERNMENT PROGRAMS
- 4.1. With the Mayor, met with Braddon Federal Member, Gavin Pearce MP to discuss local issues.
- 4.2. The Local Government Legislative Review project is continuing. The Local Government Division has now released the Reform Directions Paper submissions on its website. The submissions can be viewed at www.dpac.tas.gov.au/lgreview
5. OTHER
- 5.1. The Dulverton Waste Management "Report to Owner Councils 2018/19 is provided as an attachment to this report.
- 5.2. Met with representatives from Drysdale and Providore Place Devonport Pty Ltd to finalise operational matters related to the start of Drysdale training in the Providore Place Cooking Centre.
- 5.3. The Quarterly Report for September 2019 from Fairbrother in relation to the LIVING CITY New Waterfront Hotel is attached.

COMMUNITY ENGAGEMENT

The information included above details any issues relating to community engagement.

FINANCIAL IMPLICATIONS

Any financial or budgetary implications related to matters discussed in this report will be separately reported to Council.

There is not expected to be any impact on the Council's operating budget as a result of this recommendation.

RISK IMPLICATIONS

Any specific risk implications will be outlined in the commentary above. Any specific issue that may result in any form of risk to Council is likely to be subject of a separate report to Council.

CONCLUSION

This report is provided for information purposes only and to allow Council to be updated on matters of interest.

ATTACHMENTS

1. Dulverton Regional Waste Management Authority - Report to Owner Councils
2. Current and Previous Minute Resolutions Update - October 2019
3. Fairbrother Quarterly Progress Report - September 2019

RECOMMENDATION

That the report of the General Manager be received and noted.

Author:	Paul West
Position:	General Manager



Report to Owner Councils for inclusion in Council Annual Report 2018/19

Dulverton Waste Management (DWM) has concluded another year stronger than budgeted due to unforeseen once-off waste stream revenues. Expenditure was also well constrained following continued operational refinements at the landfill and composting facility.

Five year financial forecasts are now routinely provided to Owner Councils with each Annual Plan and Budget. The financial forecasts on an activity basis guide the business operations and detail future income, operational expenditure, capital investment, cash flow and likely dividends.

Workplace Health and Safety (WHS) continues to be a major focus for the Board, management, staff and contractors. Directors commenced a program of site safety inspections during the 2012/13 financial year which continues today. DWM consistently outperforms the WHS standard set by many larger organisations and remains active in avoiding complacency and continuing to advance all aspects of WHS.

Robust systems for WHS, environment, finance, business, risk management and records management have brought DWM stability, enabling Owner Representatives, Board and staff to focus on business growth and development which has also resulted in revenue growth.

The DWM Strategic Plan 2019/20 – 2024/24 was approved in June 2019 and included a consideration of waste treatment technologies that support the communities and industries of our region and the state; an exciting time for waste management in the region.

The transition into the new landfill cell (B1 North) occurred in January 2019 and Cell 2/3c was capped and closed in June 2019. DWM also installed a larger weighbridge in June 2019, enabling the site to accommodate the longer trucks increasingly being deployed across the state.

As the primary waste management provider in the region, DWM continues to deliver waste expertise to the Cradle Coast Waste Management Group (CCWVG) via staff with in-depth knowledge in landfill, organics recycling, kerbside recycling and other industry relevant activities. In 2018/19 DWM assisted the CCWVG in setting up additional recycling services at a transfer station in each Council area, providing a direct benefit to the community and the environment.

2018/19 was another successful financial year for DWM, concluding far stronger than budgeted. The result was influenced by a number of waste stream revenues generated by the considerable effort of the entire DWM team. Both income and profit exceeded budget and DWM covered all 2018/19 capital works from its own funds. It should be noted that the forecast in the five year financial plan is to avoid further borrowing other than for land acquisition, major plant replacement and landfill cell construction.

The total quantity of chargeable waste disposals managed by DWM was 116,290 tonnes made up of 86,648 tonnes to landfill (including 27,475 from a one-off waste stream) and 29,642 tonnes to the

Dulverton Organics Recycling Facility (DORF) for recycling into compost (excluding approximately 5,927 tonnes of green-waste also accepted at the DORF.)

Pleasingly, the amount of tax equivalents (or NTER - National Tax Equivalent Regime) paid and payable to the Owner Councils for the 2018/19 financial year, plus dividends paid, increased on previous years. Dividends to Owner Councils are forecast into the foreseeable future.

Mel Pearce

Acting Chief Executive Officer.

Current and Previous Minute Resolutions Update

OPEN SESSION Current Resolutions	
Resolution Title:	Tender Report CB0082 Waterfront Park Construction (D612472)
Date:	23 September 2019
Minute No.:	190/19
Status:	Completed
Responsible Officer:	Acting General Manager
Officers Comments:	Letter of acceptance issued to Vos.
Resolution Title:	Tender Report Contract CT0252 Berrigan Road & Lyons Avenue Roadworks (D614034)
Date:	23 September 2019
Minute No.:	191/19
Status:	Completed
Responsible Officer:	Acting General Manager
Officers Comments:	Contract awarded.
Resolution Title:	Tender Report CF0026 Supply & Delivery of Side Load Garbage Truck (D614616)
Date:	23 September 2019
Minute No.:	192/19
Status:	Completed
Responsible Officer:	Acting General Manager
Officers Comments:	Contract awarded.
Resolution Title:	Dog Management Policy – Final (D614703)
Date:	23 September 2019
Minute No.:	193/19
Status:	Completed
Responsible Officer:	Development Services Manager
Officers Comments:	Policy adopted and uploaded to Council's website.
Resolution Title:	Financial Assistance Scheme – Round One 2019/2020 (D614710)
Date:	23 September 2019
Minute No.:	194/19
Status:	Completed
Responsible Officer:	Community Services Manager
Officers Comments:	Successful and unsuccessful applicants advised of outcome.

Resolution Title:	Digital Recording Policy (D614928)
Date:	23 September 2019
Minute No.:	195/19
Status:	Completed
Responsible Officer:	Executive Manager Corporate and Business Services
Officers Comments:	Policy adopted and uploaded to Council's website.
Resolution Title:	Disposal of Public Land at 93-95 Mary Street East Devonport to Melaleuca Home for the Aged Inc (D615112)
Date:	23 September 2019
Minute No.:	196/19
Status:	In progress
Responsible Officer:	Executive Manager Organisational Performance
Officers Comments:	Correspondence sent to Melaleuca and to individuals who provided a submission.
Resolution Title:	Local Government Act Review (GFC 54/19 – 16 September 2019)
Date:	23 September 2019
Minute No.:	203/19
Status:	Completed
Responsible Officer:	Executive Manager Organisational Performance
Officers Comments:	Submission sent to DPAC. Response sent to Department of Premier and Cabinet.
Resolution Title:	Capital Projects Funding – Carried Forwards 1 July 2019 (GFC 55/19 – 16 September 2019)
Date:	23 September 2019
Minute No.:	203/19
Status:	Completed
Responsible Officer:	Infrastructure and Works Manager
Officers Comments:	Capital expenditure report adjusted accordingly.
Resolution Title:	Devonport Community House – Partnership Agreement (GFC 58/19 – 16 September 2019)
Date:	23 September 2019
Minute No.:	203/19
Status:	Completed
Responsible Officer:	Community Services Manager
Officers Comments:	Partnership agreement executed by both parties.

Previous Resolutions Still Being Actioned	
Resolution Title:	Senior Citizens Club Parking – Notice of Motion – Cr A Jarman (D612555)
Date:	26 August 2019
Minute No.:	165/19
Status:	Completed
Responsible Officer:	General Manager
Officers Comments:	Workshop held 7 October.
Resolution Title:	Land Sale – Spreyton – Notice of Motion – Cr S Milbourne (D612569)
Date:	26 August 2019
Minute No.:	166/19
Status:	Completed
Responsible Officer:	General Manager
Officers Comments:	Annual Plan Action.
Resolution Title:	Pathway Feasibility Study – Notice of Motion - Cr S Milbourne (D612577)
Date:	26 August 2019
Minute No.:	167/19
Status:	Completed
Responsible Officer:	General Manager
Officers Comments:	Costings to be provided as part of 20/21 Budget.
Resolution Title:	Installation of “Pump Track” – East Devonport – Notice of Motion – Cr J Alexiou (D590946)
Date:	22 July 2019
Minute No.:	134/19
Status:	Completed
Responsible Officer:	Community Services Manager
Officers Comments:	Considered at September workshop – investigations continuing.
Resolution Title:	Cruise Ships – Devonport – Notice of Motion – Cr L Laycock (D581749)
Date:	24 June 2019
Minute No.:	109/19
Status:	Completed
Responsible Officer:	Community Services Manager
Officers Comments:	Tourism Tasmania provided information at September workshop.

Resolution Title:	Proposed Sale of Land – Canning Drive, East Devonport (GFC 21/19 – 18 March 2019)
Date:	25 March 2019
Minute No.:	58/19
Status:	Completed
Responsible Officer:	Executive Manager Organisational Performance
Officers Comments:	Valuation received, listed for sale.
Resolution Title:	Future Visitation – Australian Navy Ships – Notice of Motion – Ald L M Laycock (D549874)
Date:	22 October 2018
Minute No.:	187/18
Status:	In progress
Responsible Officer:	Community Services Manager
Officers Comments:	Discussions commenced with TasPorts – Meeting held 2 August with Commander Bob Curtis.
Resolution Title:	Disability/Equal Access and Inclusion (D491448)
Date:	25 September 2017
Minute No.:	181/17
Status:	In progress
Responsible Officer:	Community Services Manager
Officers Comments:	Strategy being finalised.

LIVING CITY - New Waterfront Hotel



Quarterly Report – September 2019

This report is prepared for the Devonport City Council in accordance with the Terms Agreement for the development of the Waterfront Hotel and Apartments project.

Since the last report we have continued to explore the delivery options available to us and are able to report with a high degree of confidence that the model upon which the development can proceed is close to being finalised.

We are not in a position to be able to make a public statement or provide more detail at this point and expect that an announcement is able to be made in the coming weeks.

Design work has continued over this last period with various floor plan layouts being developed and considered. Through this the exterior of the building has remained consistent with the original concept design and that approved in the development application.

Summary

With the delivery model close to finalisation, the next step for us is to formalise the commercial aspects and conclude with an executed agreement. With that done a public announcement will be possible.

The focus will then move to completing the design work and obtaining the required permits.

Mobilisation to site is to occur this year with site preparation and excavation to follow on.

We look forward to providing more detailed information as soon as we are able.

Key Targets

- | | |
|--|---------------|
| • Formalise commercial aspects and execute agreement | November 2019 |
| • Site mobilisation | December 2019 |
| • Commence site preparation and excavation | December 2019 |

6.4 CODE OF CONDUCT PANEL DETERMINATION REPORT

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.3.2 Provide appropriate support to elected members to enable them to discharge their functions

SUMMARY

To present the Determination Report of the Local Government Code of Conduct Panel, received by Council on 4 October 2019.

BACKGROUND

In accordance with section 28ZK of the *Local Government Act 1993* (the Act) the Code of Conduct Panel has made its determination in relation to a Code of Conduct complaint lodged on 2 August 2019 by Ms Jennie Claire against Cr Peter Hollister.

STATUTORY REQUIREMENTS

In accordance with section 28ZK(4) of the Act, Council is required to table the Code of Conduct Panel's Report at the first meeting of Council at which it is practicable to do so after it is received, and which is open to the public.

DISCUSSION

The complainant, Ms Claire, alleged that Cr Hollister breached Part 7 1 (a) (b) and (c) of the Devonport City Council Code of Conduct.

In accordance with section 28ZE of the Act, the Code of Conduct panel investigated the complaint. The complaint has been upheld and Cr Hollister is required to apologise in writing to Ms Claire.

COMMUNITY ENGAGEMENT

No community engagement was required in preparing this report.

FINANCIAL IMPLICATIONS

Council will provide a full refund of the lodgement fee to Ms Claire in accordance with section 28ZO of the Act. The costs associated with the Panel's considerations is to be met by Council. At the time of preparing this report, the costs are unknown.

CONCLUSION

It is recommended that Council receive the Determination Report.

ATTACHMENTS

1. Determination Report - DCC - Claire v Hollister

RECOMMENDATION

That Council receives and notes the Code of Conduct Panel Determination Report made on 3 October 2019, in relation to the complaint made by Ms Jennie Claire relating to Cr Peter Hollister.

Author:	Jacqui Surtees	Endorsed By:	Paul West
Position:	Executive Officer	Position:	General Manager

Local Government Act 1993

CODE OF CONDUCT PANEL REPORT
DEVONPORT CITY COUNCIL COUNCILLOR CODE OF CONDUCT
(ref C19383)

Complaint brought by Ms Jennie Claire against Councillor Peter Hollister

Date of Determination: 3 October 2019

Code of Conduct Panel:

Sue Smith (Chairperson), Lynn Smith (community member with experience in local government), Anthony Mihal (legal member)

THE COMPLAINT

A Code of Conduct Complaint was lodged by Ms Jennie Claire to the General Manager – Devonport City Council on 2 August 2019.

The Complaint alleges that by interjecting and calling Ms Claire a liar during Public Question Time at the Ordinary Council Meeting held on 25 March 2019 Councillor (Cr) Peter Hollister breached the following provisions of the Devonport City Council Code of Conduct which was adopted by Council in January 2019:

Part 7 – Relationships with community, councillors and Council employees

1. *A Councillor-*
 - (b) *must treat all persons fairly and*
 - (c) *must not cause any reasonable person offence or embarrassment and*
 - (d) *must not bully or harass any person.*

INVESTIGATION

In accordance with section 28ZE of the *Local Government Act 1993* (the Act), the Code of Conduct Panel conducted an investigation of the complaint.

In her Statutory Declaration lodged in support of the complaint, Ms Claire explained that whilst she was asking a question during question time of the Council Meeting Councillor Hollister interrupted her question by shouting out “You’re a liar”.

Councillor Hollister did not deny this allegation in his response to the complaint.

Both the Complainant and Cr Hollister received all relevant correspondence on the issue.

In dealing with the complaint the Panel reviewed the Devonport City Council Code of Conduct Policy, the Public Question Time Policy, the minutes of the Council Meeting of 25 March 2019 and the audio recording of the meeting in question.

- Section 28ZK (7) of the *Local Government Act 1993* requires that any person who receives a determination report must keep the determination report confidential until the report is included within an item on the agenda for a meeting of the relevant council. Failure to do so may result in a fine of up to 50 penalty units.

As per Section 28ZG (2) (b) of the Act, the Code of Conduct Panel determined that a hearing was unnecessary in the circumstances because the investigations could be adequately conducted by means of written submission and examination of documentary evidence.

DETERMINATION AND REASONS

The Code of Conduct Panel considered the information provided by Ms Claire and the response provided by Cr Hollister along with their statutory declarations.

The Panel concludes that Cr Hollister did breach Part 7.1 (a), (b), and (c) of the Devonport City Council Code of Conduct Policy. The recording of the Council Meeting held on 25 March 2019 clearly indicates that Cr Hollister interrupted the proceedings of Public Question Time by interjecting to call the complainant a liar, and was in fact named by the Mayor as a warning for having done so. Cr Hollister's words were clearly audible and would have been heard by other Councillors, Council staff and members of the public who were present at the meeting. Elected Councillors hold a responsible position in the Community and it is expected that they show leadership and restraint, especially at times when tension is high.

The Public Question Time Policy of the Devonport City Council is quite clear and appears in the Agenda of the Council Meeting. It is clear from the audio recording that at the meeting on 25 March 2019 the policy was not adhered to, especially the section that states "Questions are to be succinct and not contain lengthy preamble." It is clear from the audio recording that at the time of the breach the Complainant was twice interrupted by the Mayor in attempts to control the process, but the Complainant raised her voice and continued the lengthy and querulous preamble to her question, making it difficult to ensure fairness to those members of the public who respect the rules. Cr Hollister intervened at a time when Councillors' role was to rely on the Mayor to control the process.

The Councillor's behaviour towards the Complainant was unfair to her, in breach of Part 7.1 (a) of the Code, because Ms Claire had no proper standing at the meeting to enable her to respond to the very serious allegation made by the Councillor against her in that forum.

Calling someone a liar in that manner was clearly offensive and embarrassing to the Complainant and it was reasonable for her to feel so aggrieved, which is why the Panel finds that the Councillor breached Part 7.1 (b) of the Code.

The Panel finds that the Councillor descended to offensive name-calling in an attempt to intimidate the Complainant into desisting from continuing her criticism of council during the preamble to her question. For that reason, the Panel finds that the Councillor's behaviour amounted to bullying and harassment in breach of Part 7.1 (c) of the Code.

SANCTION

The Panel, upon reaching a determination that a Code of Conduct Complaint is upheld, may impose the following sanctions on the Councillor against whom the complaint is made:

- . a caution
- . reprimand
- . requirement to apologise to the complainant or other persons affected by the contravention of the code of conduct
- . suspension from performing the function and powers of his or her office for a period not exceeding 3 months

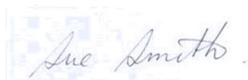
As per Section 28ZL(2) of the Act the Code of Conduct Panel imposes the following sanction on Cr Hollister:

Cr Hollister is required to apologise in writing to Ms Claire for breaching Part 7.1 (a), (b) and (c) of the Devonport City Council Code of Conduct by interjecting and calling her a liar during public question time at the meeting of the Devonport City Council held on 25 March 2019.

This apology is to be sighted by the General Manager of the Devonport City Council before it is sent to the Complainant and is to be delivered to the Complainant within 28 days of the receipt of this report by Cr Hollister.

RIGHT TO REVIEW

Under s28ZP of the Act, a person aggrieved by the determination of the Panel is entitled to apply to the Magistrates Court (Administrative Appeals Division) for a review of the determination on the ground that the Panel has failed to comply with the rules of natural justice.



Sue Smith
(Chairperson)



Lynn Mason
(Community Member with
experience in local government)



Anthony Mihal
(Legal Member)

7.0 SECTION 23 COMMITTEES

7.1 INFRASTRUCTURE WORKS AND DEVELOPMENT COMMITTEE MEETING - 14 OCTOBER 2019

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.3.2 Provide appropriate support to elected members to enable them to discharge their functions

SUMMARY

The purpose of this report is to receive the minutes and endorse the recommendations provided to Council by the Infrastructure Works and Development Committee meeting held on Monday, 14 October 2019.

ATTACHMENTS

1. Minutes - Infrastructure Works and Development - 14 October 2019

RECOMMENDATION

That the minutes of the Infrastructure Works and Development Committee meeting held on Monday, 14 October 2019 be received and the recommendations contained therein be adopted.

- IWC 34/19 Chinamans Creek Stormwater Catchment Risk Assessment
- IWC 35/19 Pedestrian Strategy 2016-2021 - Year Three Status Update
- IWC 36/19 Tasmanian Draft Waste Action Plan
- IWC 37/19 Development and Health Services Report
- IWC 38/19 Infrastructure and Works Report

Author: Position:	Robyn Woolsey Executive Assistant Management	General	Endorsed By: Position:	Paul West General Manager
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MINUTES OF AN INFRASTRUCTURE WORKS AND DEVELOPMENT COMMITTEE MEETING OF THE DEVONPORT CITY COUNCIL HELD IN THE ABERDEEN ROOM, LEVEL 2, paranaple centre, 137 ROOKE STREET, DEVONPORT ON MONDAY, 14 OCTOBER 2019 COMMENCING AT 5:30PM

PRESENT: Cr L Perry (Chairperson)
 Cr G Enniss
 Cr P Hollister
 Cr L Laycock
 Cr L Murphy

Councillors in Attendance:

Cr J Alexiou
 Cr S Milbourne
 Cr A Rockliff

Council Officers:

Acting General Manager, M Atkins
 Executive Manager Corporate & Business Services, J Griffith
 Executive Manager Organisational Performance, K Peebles
 Development Services Manager, K Lunson
 Infrastructure and Works Manager, M Williams

Audio Recording:

All persons in attendance were advised that it is Council policy to record Council meetings, in accordance with Council's Digital Recording Policy. The audio recording of this meeting will be made available to the public on Council's website for a minimum period of six months.

1.0 APOLOGIES

The following apology was received for the meeting.

Cr A Jarman	Apology
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2.0 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3.0 PROCEDURAL

3.1 PUBLIC QUESTION TIME

DOUGLAS JANNEY – 23 WATKINSON STREET, DEVONPORT

Q1 The up rooted tree in the park near the roundabout at Rooke Street and Formby Road has been like that for some weeks. This is something that the Council has direct control over.

As well this is it not a good look for "The Living City".

What is the problem that this tree has still not been removed?

Response

The Acting General Manager advised that there was a number of trees on the site that were relocated in preparation for the Living City Waterfront Project. I understand that was one that was removed at the time, however, it wasn't relocated. Vos Construction have been given possession of the site and they are just in the process of

Page 2 of 4

getting organised and they will be setting up in the next couple weeks, as part of the contract they will remove the tree and start work.

Q2 The pedestrian crossing being constructed in Lovett Street opposite Karingal suggests that the Pedestrian Strategy needs a complete rethink and rework. This crosswalk while it has jut outs, still requires the pedestrian to deal with two lanes of traffic at the same time.

Why has this pedestrian cross walk been constructed in the most hazardous configuration possible?

Response

The Infrastructure and Works Manager advised that the crossing type was selected using the Austroads Pedestrian Facility Selection Tool which takes into account a number of factors, including traffic volume, width of the road, volume of pedestrians and other things. To my knowledge the outcome of the analysis was that was the type of crossing that should be positioned there. It also needs to consider constraints like the driveway into the aged care facility which may have prevented other crossing types from being feasible.

3.2 QUESTIONS FROM COUNCILLORS

Nil

3.3 NOTICES OF MOTION

Nil

4.0 TENDERS

Nil

5.0 INFRASTRUCTURE AND WORKS REPORTS

5.1 CHINAMANS CREEK STORMWATER CATCHMENT RISK ASSESSMENT (D576061)

IWC 34/19 RESOLUTION

MOVED: Cr Laycock

SECONDED: Cr Murphy

That it be recommended to Council that the report of the Infrastructure and Works Manager regarding Chinamans Creek catchment be noted and that:

- an allocation of \$350,000 be considered for a detention basin as part of the assessment of options for the future use of land on the corner of Lovett Street and Lawrence Drive; and
- forward capital works funding currently allocated for projects in the Chinamans Creek catchment be reallocated to other high priority stormwater projects.

	For	Against		For	Against
Cr Perry	✓		Cr Laycock	✓	
Cr Enniss	✓		Cr Murphy	✓	
Cr Hollister	✓				

CARRIED UNANIMOUSLY

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5.2 PEDESTRIAN STRATEGY 2016-2021 - YEAR THREE STATUS UPDATE (D615054)**IWC 35/19 RESOLUTION**

MOVED: Cr Laycock

SECONDED: Cr Murphy

That it be recommended to Council that the report of the Infrastructure and Works Manager be received and Council note the status of actions listed in the Pedestrian Strategy 2016-2021.

	For	Against		For	Against
Cr Perry	✓		Cr Laycock	✓	
Cr Enniss	✓		Cr Murphy	✓	
Cr Hollister	✓				

CARRIED UNANIMOUSLY

5.3 TASMANIAN DRAFT WASTE ACTION PLAN (D616350)**IWC 36/19 RESOLUTION**

MOVED: Cr Hollister

SECONDED: Cr Enniss

That it be recommended to Council that Council note the submissions on the Tasmanian Draft Waste Action Plan by Devonport City Council, Dulverton Waste Management on behalf of the Cradle Coast Waste Management Group, and the Local Government Association of Tasmania.

	For	Against		For	Against
Cr Perry	✓		Cr Laycock	✓	
Cr Enniss	✓		Cr Murphy	✓	
Cr Hollister	✓				

CARRIED UNANIMOUSLY

6.0 INFRASTRUCTURE AND WORKS BI-MONTHLY UPDATE**6.1 DEVELOPMENT AND HEALTH SERVICES REPORT (D609231)****IWC 37/19 RESOLUTION**

MOVED: Cr Murphy

SECONDED: Cr Laycock

That it be recommended to Council that the Development and Health Services Report be received and noted.

	For	Against		For	Against
Cr Perry	✓		Cr Laycock	✓	
Cr Enniss	✓		Cr Murphy	✓	
Cr Hollister	✓				

CARRIED UNANIMOUSLY

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6.2 INFRASTRUCTURE AND WORKS REPORT (D615053)**IWC 38/19 RESOLUTION**

MOVED: Cr Laycock

SECONDED: Cr Murphy

That it be recommended to Council that the Infrastructure and Works report be received and noted.

	For	Against		For	Against
Cr Perry	✓		Cr Laycock	✓	
Cr Ennis	✓		Cr Murphy	✓	
Cr Hollister	✓				

CARRIED UNANIMOUSLY

There being no further business on the agenda the Chairperson declared the meeting closed at 5:44pm.

Confirmed

Chairperson

7.2 PLANNING AUTHORITY COMMITTEE MEETING - 21 OCTOBER 2019

RELEVANCE TO COUNCIL'S PLANS & POLICIES

Council's Strategic Plan 2009-2030:

Strategy 5.3.2 Provide appropriate support to elected members to enable them to discharge their functions

SUMMARY

The purpose of this report is to receive the minutes and note the recommendations provided to Council by the Planning Authority Committee meeting held on Monday, 21 October 2019.

ATTACHMENTS

1. Minutes - Planning Authority Committee - 21 October 2019

RECOMMENDATION

That the minutes of the Planning Authority Committee meeting held on Monday, 21 October 2019 be received and the recommendations contained therein be noted.

PAC 20/19 PA2019.0137 Subdivision (2 lots) - 16 Collins Way Tugrah

PAC 19/19 Planning Applications approved under Delegated Authority 1 September 2019 - 30 September 2019

PAC 21/19 PA2019.0149 Residential (multiple dwellings x 2) - 19 Leary Avenue Stony Rise

Author: Position:	Robyn Woolsey Executive Assistant General Management	Endorsed By: Position:	Paul West General Manager
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MINUTES OF A PLANNING AUTHORITY COMMITTEE MEETING OF THE DEVONPORT CITY COUNCIL HELD IN THE ABERDEEN ROOM, LEVEL 2, paranaple centre, 137 ROOKE STREET, DEVONPORT ON MONDAY, 21 OCTOBER 2019 COMMENCING AT 5:15PM

PRESENT: Cr A Rockliff (Mayor) in the Chair
 Cr J Alexiou
 Cr P Hollister
 Cr S Milbourne
 Cr L Murphy
 Cr L Perry

Councillors in Attendance:

Cr G Enniss
 Cr A Jarman
 Cr L Laycock

Council Officers:

General Manager, P West
 Development Services Manager, K Lunson
 Executive Manager Organisational Performance, K Peebles
 Project Officer, R McKenna

Audio Recording:

All persons in attendance were advised that it is Council policy to record Council meetings, in accordance with Council's Digital Recording Policy. The audio recording of this meeting will be made available to the public on Council's website for a minimum period of six months.

1.0 APOLOGIES

There were no apologies received.

2.0 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3.0 DELEGATED APPROVALS

3.1 PLANNING APPLICATIONS APPROVED UNDER DELEGATED AUTHORITY 1 SEPTEMBER 2019 - 30 SEPTEMBER 2019

PAC 19/19 RESOLUTION

MOVED: Cr Hollister
 SECONDED: Cr Milbourne

That the list of delegated approvals be received.

	For	Against		For	Against
Cr Rockliff	✓		Cr Milbourne	✓	
Cr Alexiou	✓		Cr Murphy	✓	
Cr Hollister	✓		Cr Perry	✓	

CARRIED UNANIMOUSLY

4.0 DEVELOPMENT REPORTS**4.1 PA2019.0137 SUBDIVISION (2 LOTS) - 16 COLLINS WAY TUGRAH****PAC 20/19 RESOLUTION**

MOVED: Cr Perry
SECONDED: Cr Murphy

That the Planning Authority, pursuant to the provisions of the *Devonport Interim Planning Scheme 2013* and Section 57 of the *Land Use Planning and Approvals Act 1993*, approve application PA2019.0137 and grant a Permit to develop land identified as 16 Collins Way, Tugrah for the following purposes:

- Subdivision (2 lots)

Subject to the following conditions:

1. The Development is to proceed generally in accordance with the submitted plans and documentation, copies of which are attached and endorsed as documents forming part of this Planning Permit:
 - a. Proposed subdivision, Project No. 00066, Drawing no. A01, Rev B, dated 28.08.19 by Arplan Home Designs;
 - b. Bushfire Hazard Management Report & Bushfire Hazard Management Plan by Bruce Harpley of Environmental Service and Design Pty Ltd, dated 31 May 2019; and
 - c. S2542-01 infolet (Onsite wastewater investigation) by Donal S. Anderson – Consulting Engineer, dated 27 May 2015
2. Concentrated stormwater discharge is to be disposed of in accordance with the requirements of the current National Construction Code.
3. The proposed new lot is to be serviced by a new sealed vehicular access, generally in accordance with IPWEA Tasmanian Standard Drawing TSD-R03-v1 and TSD-R04-v1. Any road side drainage is to be taken into consideration as part of the developers design as outlined in the standards.
4. Any existing Council infrastructure impacted by the development works is to be reinstated in accordance with the relevant standards.
5. The subdivider must comply with the conditions contained in the 'Submission to Planning Authority Notice' which the regulated Entity (trading as TasWater) has required the Planning Authority to include in the planning permit, pursuant to section 56P(1) of the *Water and Sewerage Industry Act 2008*.

Note: The following is provided for information purposes.

The development is to comply with the requirements of the current National Construction Code. The developer is to obtain the necessary building and plumbing approvals and provide the required notifications in accordance with the *Building Act 2016* prior to commencing building or plumbing work.

A permit to work within the road reserve must be sought and granted prior to any works being undertaken within the road reserve.

The proposal is for a 2 lot subdivision. Lot 1 contains the existing dwelling. In order to comply with AS/NZS 4819.2011 Rural and urban addressing which

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states 5.4.4 Address numbers sequential - Address numbering shall be sequential, ranging from lowest to highest, it will be necessary to renumber the existing dwelling from 16 Collins Way to 16A Collins Way and apply the existing number of 16 Collins Way to Lot 2 on the proposal plan.

In regard to condition 5 the applicant/developer should contact TasWater – Ph 136992 with any enquiries.

In regard to condition 2-4 the applicant should contact Council's Infrastructure & Works Department – Ph 6424 0511 with any enquiries.

Enquiries regarding other conditions can be directed to Council's Development Services Department – Ph 6424 0511.

	For	Against		For	Against
Cr Rockliff	✓		Cr Millbourne	✓	
Cr Alexiou	✓		Cr Murphy	✓	
Cr Hollister	✓		Cr Perry	✓	

CARRIED UNANIMOUSLY

4.2 PA2019.0149 RESIDENTIAL (MULTIPLE DWELLINGS X 2) - 19 LEARY AVENUE, STONY RISE

PAC 21/19 RESOLUTION

MOVED: Cr Murphy

SECONDED: Cr Hollister

That the Planning Authority, pursuant to the provisions of the *Devonport Interim Planning Scheme 2013* and Section 57 of the *Land Use Planning and Approvals Act 1993*, approve application PA2019.0149 and grant a Permit to use and develop land identified as 19 Leary Avenue, Stony Rise for the following purposes:

- Residential (multiple dwellings x 2)

Subject to the following conditions:

1. Unless otherwise specified by a condition of this permit, the use and development is to proceed generally in accordance with the submitted plans prepared by Lachlan Walsh Design and referenced as Proposed Unit Development – 19 Leary Avenue, Stony Rise Project No. 18-444 (Drawings Set: DA Set) and dated 30 August 2019. Copies of which are attached and endorsed as documents forming part of this Planning Permit.
2. The developer is to comply with the conditions (and have regard to any further information) specified in the Submission to Planning Authority Notice which TasWater has required to be included in the planning permit pursuant to section 56P(1) of the *Water and Sewerage Industry Act 2008*. A copy of this notice is attached.

NOTES FOR INFORMATION:

- A. The development is to comply with the requirements of the current National Construction Code. The developer is to obtain the necessary building and plumbing approvals and provide the required notifications in accordance with the *Building Act 2016* prior to commencing (or recommencing) building or plumbing work.

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- B. In regard to Condition 3 and the requirements/information specified in the TasWater Submission to Planning Authority Notice, the applicant/developer should contact TasWater (Ph 136 992) with any enquiries.
- C. With respect to street numbering of the units, Council makes the following suggestions in accordance with *AS/NZS Rural and Urban Addressing 4819.2011*:
- i. Unit 1 shown on the approved plan be numbered as 1, 19 Leary Avenue; and
 - ii. Unit 2 shown on the approved plan be numbered as 2, 19 Leary Avenue.
- D. Enquiries regarding the following notes can be directed to Council's City Infrastructure Department. Given the already commenced nature of this development some of these matters may have already been addressed, however it is the developer's responsibility make sure of these requirements.
- i. Concentrated stormwater discharge is to be disposed of in accordance with the requirements of the current National Construction Code.
 - ii. Subject to the above, a new 150mm diameter stormwater service connection may be required to be installed by the developers contractor and at the developers expense, generally in accordance with the IPWEA Tasmanian Standard Drawings.
 - iii. Stormwater discharge from the proposed development is to be adequately hydraulically detailed and designed by a suitably qualified hydraulic engineer, for all storm events up to and including a 100-year Average Recurrence Interval (ARI), and for a suitable range of storm durations to adequately identify peak discharge flows. As part of their design the hydraulic engineer is to limit stormwater discharge from the proposed development, by utilising a combination of pipe sizing and/or on-site detention, to that equivalent to only 50% of the development lot being impervious. There is to be no overland flow discharge from the proposed development to any of the adjoining properties, for all the above nominated storm events. All design calculations are to be submitted for approval by the City Engineer prior to commencing construction on site.
 - iv. The existing driveway crossover is to be used for the purposes of this development.
 - v. Any existing Council infrastructure impacted by the development works is to be reinstated in accordance with the relevant standards.
 - vi. A permit to work within the road reserve must be sought and granted prior to any works being undertaken within the road reserve.
- E. Hours of construction must be: Monday to Friday between 7am - 6pm, Saturday between 9am - 6pm and Sunday/statutory public holidays 10am - 6pm.
- F. During the construction and subsequent use of the development all reasonable measures are to be taken to minimise or prevent environment effects that may result in a nuisance. Air, noise and water pollution

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matters are subject to provisions of the *Building Regulations 2016* and the *Environmental Management and Pollution Control Act 1994*. This includes ensuring noise emitted from portable apparatus and hours of operation are within the scope indicated by the *Environmental Management and Pollution Control (Noise) Regulations 2016*.

	For	Against		For	Against
Cr Rockliff	✓		Cr Milbourne	✓	
Cr Alexiou	✓		Cr Murphy	✓	
Cr Hollister	✓		Cr Perry	✓	

CARRIED UNANIMOUSLY

With no further business on the agenda the Chairperson declared the meeting closed at 5:26pm.

Confirmed

Chairperson

8.0 CLOSED SESSION**RECOMMENDATION**

That in accordance with Regulation 15 of the *Local Government (Meeting Procedures) Regulations 2015*, the following be dealt with in Closed Session.

Item No	Matter	Local Government (Meeting Procedures) Regulations 2015 Reference
8.1	Confirmation of Closed Minutes - Council Meetings - 23 September 2019 and 21 October 2019	15(2)(g)
8.2	Application for Leave of Absence	15(2)(i)
8.3	Providore Place Head Lease Documentation - Availability for Inspection - Notice of Motion - Cr A Jarman	15(2)(i)
8.4	92 Formby Road, Devonport - Recommendation to Revise Marketed Sale Price	15(2)(f)
8.5	Recruitment - General Manager	15(2)(b),(d)

OUT OF CLOSED SESSION**RECOMMENDATION**

That Council:

- (a) having met and dealt with its business formally move out of Closed Session; and
- (b) resolves to report that it has determined the following:

Item No	Matter	Outcome
8.1	Confirmation of Closed Minutes - Council Meetings - 23 September 2019 and 21 October 2019	Confirmed
8.2	Application for Leave of Absence	
8.3	Providore Place Head Lease Documentation - Availability for Inspection - Notice of Motion - Cr A Jarman	
8.4	92 Formby Road, Devonport - Recommendation to Revise Marketed Sale Price	
8.5	Recruitment - General Manager	

9.0 CLOSURE

There being no further business the Mayor declared the meeting closed at pm.
