



The City with Spirit

Annual Report 2015



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Tasmanian Auditor-General
Commonwealth Bank of Australia
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Council Profile

The Devonport City Council is established under the provisions of the *Local Government Act 1993* and is a body corporate with perpetual succession.

From 1 July 2014 to the October 2014 Local Government Elections, Council was represented by 12 elected Aldermen. Following the election, the number of Aldermen representing Council was reduced to nine. Aldermen now serve a four year term, with elections being held each four years on an 'all in all out' basis. The term for Mayor and Deputy Mayor is also four years.

Decision Making: From 1 July 2014 Council introduced a Section 23 Committee arrangement to assist in its decision making processes. The Section 23 Committees are:

- Planning Authority;
- Governance and Finance;
- Infrastructure, Works and Development; and
- Community Services.

The Planning Authority Committee meets on an as required basis and has been provided with delegation to approve planning applications. The Governance and Finance, Community Services, and Infrastructure, Works and Development Committees all meet on a bi-monthly basis. The Infrastructure, Works and Development Committee have been provided with delegation from Council to award tenders up to the value of budget estimates.

Also during the year, Council's Committee structure was amended. Special Committees and Working Groups were replaced with a revised structure of three Strategic Special Committees and eight Special Interest Groups. Given the reduced number of Aldermen to represent Council on these committees and groups, the structure was streamlined to provide a more strategic focus.

Council and committee meetings are open to the public (except where an item is considered to be of a confidential nature in accordance with the *Local Government (Meeting Procedures) Regulations 2015*. Meeting schedules are available on Council's website and at the Council offices.





Mission-Vision-Values

Devonport City Council is committed to excellence in leadership and service.

Devonport is a thriving and welcoming regional City, living lightly by river and sea.

Strong, thriving and welcoming - Devonport is a regional leader with a strong economy. It is a great place to live, work and play.

Valuing the past, caring for the present, embracing the future - We have been shaped by a rich cultural heritage and enthusiastically embrace present challenges and future opportunities.

Engaging with the world - We have an outward focus and send quality products and experiences to the world. We welcome all to share our beautiful City and all it offers.

Living lightly by river and sea - We live lightly on our valued natural environment of clean rivers, waterways and beaches; rich agricultural land; and coastal landscapes, so future generations can also enjoy this special place.

Our organisational values are:

Leadership

We will embrace a culture of equity and leadership founded on respect, professionalism and integrity, to ensure we make strategic decisions today for tomorrow

Customer Satisfaction

We will strive to consistently engage and communicate with our internal and external customers to meet desired outcomes

Our People

We will respectfully work together by recognising each other's talents, skills, experience and knowledge

Continuous Improvement & Innovation

We will continually evaluate current practices and changing needs to foster an adaptive and innovative environment

Results & Accountability

We will be results focused and take pride in our successes and efforts and be accountable for our actions



Mayor's Report

I am delighted to present the Annual Report for 2014/15 which provides an overview of Devonport City Council's achievements during the past year, and updates on progress in delivering on our commitments.

The past 12 months have seen Devonport continue to grow as the hub of the North West and a City that is planning for the future.

In September 2014 Council adopted the LIVING CITY masterplan, the blueprint for Council's \$250 million rejuvenation of the CBD following significant community consultation. The project is set to create an estimated 830 direct full-time jobs upon completion and over 800 direct and 2,000 indirect jobs during construction. In May 2015 the Federal Government through the National Stronger Regions Fund committed \$10 million funding towards Stage 1 of the project and we look forward to commencing construction in 2016.

The local government election in October 2014 saw change in your elected members as well as a reduction in the number of Aldermen from twelve to nine. On behalf of Council and the community we extend our thanks to former Aldermen Graham Kent, Bill Wilson, Peter Hollister, Warren Squibb and Brian Cole for their valued contributions to Council during their time as Aldermen. We also warmly welcomed Aldermen Charlie Emmerton and Jeff Matthews to Council.

In April 2015, Council completed the rollout of the second phase of the Devonport Energy Efficiency Program through the implementation of energy efficient lighting and heating systems in 13 Council and community buildings, estimated to produce annual savings of around \$50,000 or 268,484 kilowatt hours.

A joint Audit Panel was established with Central Coast Council. Dialogue continues with the Cradle Coast Authority and our neighbouring Councils in relation to investigation into further potential shared services options.

The Devonport Food Connection project was launched in November 2014, a food education project which is implementing realistic local solutions to improving food security and social inclusion in the local area, in partnership with Devonport Community House, East Devonport Community House, Gateway Community Care, Tasmania's Medicare Local and the Heart Foundation. In May we hosted a 'Grassroots to Institutions Forum' of food security experts, community groups and local producers, from which a North West regional food response is being developed.

Over 150 dedicated volunteers worked with Council in the delivery of services, events and facilities to the community. On behalf of the Aldermen and Council staff I thank you for your generous service and contribution to City life. You are an invaluable asset to Council.

Council continued to deliver a range of successful community events including Devonport Jazz, Eve in the City and the Devonport Food and Wine Festival.

Thank you to my fellow Aldermen, the General Manager and staff for your continued commitment to Devonport. We are proud of the progress Council has made during the past 12 months and look confidently towards the future, in anticipation of yet another exciting year ahead for Devonport.

Ald. Steve Martin
MAYOR - CITY OF DEVONPORT



General Manager's Report

The 2015 Annual Report provides a comprehensive summary of the achievements of Council in meeting its objectives, activities and performance indicators against those outlined in the Annual Plan adopted in June 2014.

A significant highlight and milestone during the year was the adoption by Council of the LIVING CITY masterplan. The LIVING CITY masterplan is the blueprint for the future revitalisation of the Devonport CBD and waterfront precinct. LIVING CITY is a project that is of regional significance and aims to make Devonport the retail and service hub for the North West. To support the Council in progressing its plans, the Australian Government announced in May 2015 that it would allocate \$10 million in funding to the project from the National Stronger Regions Fund. At the time of preparing this report, Council continues to work proactively with the State Government to finalise their contribution towards Stage 1 of the project.

Stage 1 plans are well advanced and following a period of public consultation are now being finalised. It is hoped that on ground construction works will commence in the early part of 2016. Detailed information of what LIVING CITY is all about and latest updates, can be found on the website <http://www.livingcitydevonport.com>

Whilst LIVING CITY has been a priority for Council during the year in review, significant other improvements and works have been achieved. The Council had a capital works program totalling \$13.2 million of which \$7.2 million was completed. A total of \$4.88 million has been carried forward which includes \$3.3 million specifically for LIVING CITY.

The Annual Report also provides detailed comments in relation to the financial management of Council and the results achieved for the year in review. Council budgeted for a break-even operating result for the year. It is pleasing to note that the final underlying surplus result was \$2.3 million. This result included a number of one-off savings or receipts including lower than expected employee entitlements (\$525,000); reduced expenditure on materials and contracts (\$698,000); one-off reduction in Land Tax (\$374,000); increased investment revenues (\$536,000). It is pleasing to note that an unqualified audit opinion was received from the Tasmanian Audit Office on 28 August 2015.

There have been many successes during the past 12 months, too many for me to highlight and summarise here, so please continue reading the annual report with the confidence that the Council is continually reviewing how we do things to ensure that the needs of the Devonport community are met into the future.

I would like to express my appreciation to the Mayor and Aldermen for their support during the past 12 months. The hard working staff are also to be congratulated for their efforts in assisting Council to meet the needs and expectations of its community during the year.

Paul West
GENERAL MANAGER



The Council



L-R: Ald Leon Perry; Ald Jeff Matthews; Ald Justine Keay; Deputy Mayor, Ald Annette Rockliff; Mayor, Ald Steve Martin; Ald Charlie Emmerton; Ald Alison Jarman; Ald Lynn Laycock; Ald Grant Goodwin

Snapshot of decisions from Council in 2014/15:

- Adopted LIVING CITY Master Plan (September 2014)
- Adopted Risk Management Framework (September 2014)
- Adopted Devonport Community Safety Strategy (December 2014)
- Introduced audio recording of all open sessions of Council and Section 23 Committee Meetings (January 2015)
- Established LIVING CITY Reference Group (February 2015)
- Awarded contract to Lyons Architects for design phases one and two for LIVING CITY (March 2015)
- Adopted Road Network Strategy (April 2015)
- Adopted 2015/16 Annual Plan and Budget Estimates and Rates Resolution (June 2015)
- Adopted Financial Management Strategy (June 2015)
- Adopted Asset Management Strategy (June 2015)



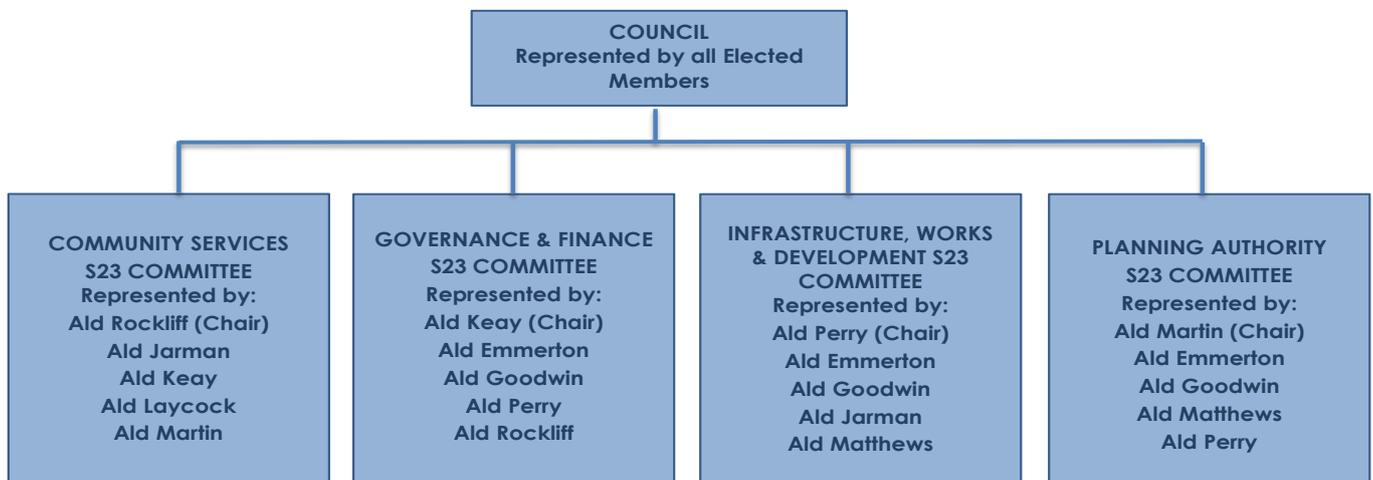
Decision Making Structures of Council

Decisions of Council are made through Council meetings, Section 23 Committee meetings or by employees through delegated authority. Transparent, accountable and informed decision making supports community confidence in Council and is vital to ensuring decisions are made in the best interests of ratepayers and the wider community.

Council's formal decision making structure is comprised of Council and four Section 23 Committees - Community Services; Governance and Finance; Infrastructure, Works and Development; and Planning Authority Committee - established in accordance with Section 23 of the *Local Government Act 1993*. All Section 23 Committees report directly to Council. Meetings of Council and Section 23 Committees are open to the public, with relevant documentation, including notice of meeting, agendas and minutes publicly available. All Council meetings, including Section 23 Committee meetings, are held in accordance with *Local Government (Meeting Procedures) Regulations 2015*. Council meetings and Section 23 Committee meetings are recorded in accordance with Council's Audio Recording Policy. Recordings of meetings are made available to the public on Council's website for a period of 6 months.

Council meetings are held on a monthly basis and Section 23 Committees (apart from the Planning Authority Committee which meets on an as required basis) meet on a bi-monthly basis.

Members of the public have the opportunity for input into Council decision making through avenues such as community consultation and engagement, tabling of petitions, and public question time at Council meetings.



Delegations of Authority are also in place to support effective decision making by Council. Under Section 22 of the *Local Government Act 1993*, Council may delegate its powers and functions to the General Manager, who may then sub-delegate powers and functions to Council Officers, in accordance with Section 64 of the *Local Government Act 1993*. Delegations allow for timely and efficient decisions to be made at an operational level.

Council's decision making is further supported by an Audit Panel, whose establishment is a legislative requirement.



Aldermen Attendance Statement

Period 1 November 2014 to 30 June 2015

| NO. MEETINGS | ORDINARY MEETINGS | SPECIAL | WORKSHOP SESSIONS | PLANNING AUTHORITY | | COMMUNITY SERVICES | | GOVERNANCE & FINANCE | | INFRASTRUCTURE WORKS & DEVELOPMENT | |
|--------------|-------------------|---------|-------------------|--------------------|------------|--------------------|------------|----------------------|------------|------------------------------------|------------|
| | 8 | 1 | 15 | 3 | | 4 | | 2 | | 4 | |
| | | | | Member | Non-Member | Member | Non-Member | Member | Non-Member | Member | Non-Member |
| Ald Emmerton | 7 | 1 | 10 | 2 | - | - | 1 | 2 | - | 3 | - |
| Ald Goodwin | 7 | 0 | 9 | 3 | - | - | 0 | 1 | - | 4 | - |
| Ald Jarman | 8 | 0 | 13 | - | 0 | 3 | - | - | 1 | 3 | - |
| Ald Keay | 8 | 1 | 11 | - | 0 | 4 | - | 2 | - | - | 1 |
| Ald Laycock | 6 | 1 | 12 | - | 0 | 4 | - | - | 2 | - | 2 |
| Ald Martin | 8 | 1 | 14 | 2 | - | 3 | - | - | 2 | - | 3 |
| Ald Matthews | 8 | 1 | 13 | 3 | - | - | 0 | - | 1 | 2 | - |
| Ald Perry | 7 | 1 | 13 | 3 | - | - | 2 | 1 | - | 4 | - |
| Ald Rockliff | 7 | 1 | 13 | - | 0 | 4 | - | 2 | - | - | 4 |

Period 1 July 2014 to 31 October 2014

| NO. MEETINGS | ORDINARY MEETINGS | AGM | WORKSHOP SESSIONS | PLANNING AUTHORITY | | COMMUNITY SERVICES | | GOVERNANCE & FINANCE | | INFRASTRUCTURE WORKS & DEVELOPMENT | |
|---------------|-------------------|-----------------|-------------------|--------------------|------------|--------------------|------------|----------------------|------------|------------------------------------|------------|
| | 4 | 1 (13/10/14) | 5 | 5 | | 2 | | 2 | | 2 | |
| | | | | Member | Non-Member | Member | Non-Member | Member | Non-Member | Member | Non-Member |
| Ald Cole | 2 | 1 | 0 | - | 0 | - | 0 | - | 1 | - | 0 |
| Ald Goodwin | 4 | 1 | 5 | 5 | - | - | 0 | - | 0 | 2 | - |
| Ald Hollister | 4 | 1 | 4 | 5 | - | 2 | - | - | 2 | 2 | - |
| Ald Jarman | 4 | 1 | 4 | - | 0 | 2 | - | - | 0 | - | 0 |
| Ald Keay | 4 | 1 | 4 | - | 0 | - | 1 | 2 | - | 1 | - |
| Ald Kent | 3 | 1 | 2 | 3 | - | - | 0 | 0 | - | 1 | - |
| Ald Laycock | 4 | 1 | 4 | - | 0 | 2 | - | - | 1 | 2 | - |
| Ald Martin | 4 | 1 | 4 | 5 | - | 2 | - | 2 | - | - | 1 |
| Ald Perry | 4 | 1 | 4 | - | 0 | - | 0 | 2 | - | - | 0 |
| Ald Rockliff | 4 | 1 | 5 | - | 0 | 2 | - | 2 | - | - | 2 |
| Ald Squibb | 4 | 1 | 3 | 1 | - | - | 0 | - | 0 | 1 | - |
| Ald Wilson | 3 | 1 | 4 | 4 | - | 2 | - | 2 | - | - | 0 |



Aldermen Allowances & Expenses

| Alderman | Period of Office | Mayoral Allowance | Deputy Mayoral Allowance | Aldermen's Allowance | Mileage Requirements | iPads | Conference / Professional Development Attendance | Accomm & Meal Expenses | Meeting Expenses | Phone | Other | Total \$ |
|---------------------------|------------------|-------------------|--------------------------|----------------------|----------------------|----------------|--|------------------------|------------------|----------------|--------------|------------------|
| Ald Martin | 1/7 -30/6 | \$50,450 | - | \$20,179 | \$12,096 | \$388 | \$4,201 | \$4,260 | \$1,168 | \$1,172 | \$412 | \$94,326 |
| Ald Kent | 1/7 -31/10 | - | \$5,466 | \$6,993 | - | \$123 | - | \$378 | - | - | - | \$12,960 |
| Ald Emmerton | 1/11 -30/6 | - | - | \$13,184 | - | \$264 | \$150 | - | - | - | - | \$13,598 |
| Ald Cole | 1/7 -31/10 | - | - | \$6,993 | - | \$123 | - | - | - | - | - | \$7,116 |
| Ald Goodwin | 1/7 -30/6 | - | - | \$20,179 | - | \$388 | \$759 | \$289 | - | - | - | \$21,615 |
| Ald Hollister | 1/7 -31/10 | - | - | \$6,993 | - | \$123 | - | \$352 | - | - | - | \$7,468 |
| Ald Jarman | 1/7 -30/6 | - | - | \$20,179 | - | \$388 | \$3,362 | \$518 | - | - | - | \$24,447 |
| Ald Keay | 1/7 -30/6 | - | - | \$20,179 | - | \$388 | - | - | - | - | - | \$20,567 |
| Ald Matthews | 1/11-30/6 | - | - | \$13,184 | - | \$264 | - | - | - | - | - | \$13,448 |
| Ald Laycock | 1/7 -30/6 | - | - | \$20,179 | - | \$388 | \$3,342 | \$1,593 | \$25 | - | - | \$25,527 |
| Ald Perry | 1/7 -30/6 | - | - | \$20,179 | \$105 | \$388 | \$381 | \$149 | - | - | - | \$21,202 |
| Ald Rockliff | 1/7 -30/6 | - | \$10,305 | \$20,179 | - | \$388 | \$704 | - | \$50 | - | - | \$31,626 |
| Ald Squibb | 1/7 -31/10 | - | - | \$6,993 | - | \$123 | - | - | - | - | - | \$7,116 |
| Ald Wilson | 1/7 -31/10 | - | - | \$6,993 | - | \$165 | - | - | - | - | - | \$7,158 |
| TOTAL YEAR TO DATE | - | \$50,450 | \$15,771 | \$202,586 | \$12,201 | \$3,901 | \$12,899 | \$7,539 | \$1,243 | \$1,172 | \$412 | \$308,174 |
| Budget | | 50,700 | 15,850 | 199,486 | 12,100 | 5,000 | 14,000 | 8,500 | 1,000 | 700 | - | \$307,336 |

Note: Council provides a motor vehicle for use by the Mayor - the cost of this vehicle is shown in the mileage column. After Council elections held in October 2014, Ald Rockliff was elected Deputy Mayor, replacing Ald Kent.



Community Representation

Shareholdings in Corporations

TasWater
Ald Goodwin, Proxy – Ald Perry

Joint Authorities

Dulverton Regional Waste Management Authority
General Manager, Ald Rockliff, Proxy - Ald Perry

Tasmania's West North West Councils Joint Authority
(Trading as Cradle Coast Authority)
Ald Martin & Goodwin

Controlling Authorities & Board Membership

Maidstone Park Management Controlling Authority
Ald Martin & Rockliff

Melrose Memorial Hall Controlling Authority
(No elected representatives at this point)

Tasmanian Arboretum Inc
Ald Rockliff

Strategic Special Committees

Arts, Culture and Tourism
Ald Jarman, Keay & Laycock

Community Development
Ald Emmerton, Goodwin & Martin

Sport and Recreation
Ald Matthews, Perry & Rockliff

Special Interest Groups/Working Groups

Building Families Special Interest Group
Ald Keay

Closing the Gap Regional Partnership Initiative
Special Committee *
Ald Rockliff & Goodwin

Community Safety Liaison Special Interest Group
Ald Martin

Devonport City Focus Group *
Ald Martin, Laycock & Jarman

Devonport District Aquatic Facility Working Group *
Ald Jarman, Hollister, Keay, Perry & Wilson

Devonport Eastern Shore Special Committee
Ald Laycock & Goodwin

Devonport Food and Wine Working Group
Ald Goodwin & Laycock

Devonport Maritime & Heritage Special Interest
Group
Ald Laycock

Devonport Oval Advisory Special Committee *
(Ald Laycock, Squibb & Perry)

Devonport Regional Gallery Special Interest Group
Ald Jarman

Devonport Sister City Special Committee *
Ald Rockliff & Hollister

Eastern Shore Special Interest Group
Ald Jarman, Keay, Laycock & Perry

General Manager's Performance Review Committee
Ald Martin, Keay, Laycock & Perry

Imaginarium Special Interest Group
Ald Keay

Learning Communities Special Interest Group
Ald Martin & Keay, Proxy - Ald Jarman

Mayor's Charitable Trust
Ald Martin, Rockliff & Emmerton

Public Art Advisory Special Interest Group
Ald Keay, Matthews & Jarman

50:50 Vision
Ald Keay, Laycock & Rockliff

External Committees

Cement Australia Railton Community Consultation
Committee
Ald Goodwin

Mersey Leven Emergency Management Committee
Ald Martin

Statutory Council Committees

Code of Conduct Panel
Ald Keay, Laycock & Perry

Shared Audit Panel
Ald Emmerton & Goodwin, Proxy - Ald Perry

Information is for the period 1 July 2014 - 30 June 2015. Committees no longer in existence shown with Aldermanic representation pre-2014 Local Government Elections and changes to committee structure

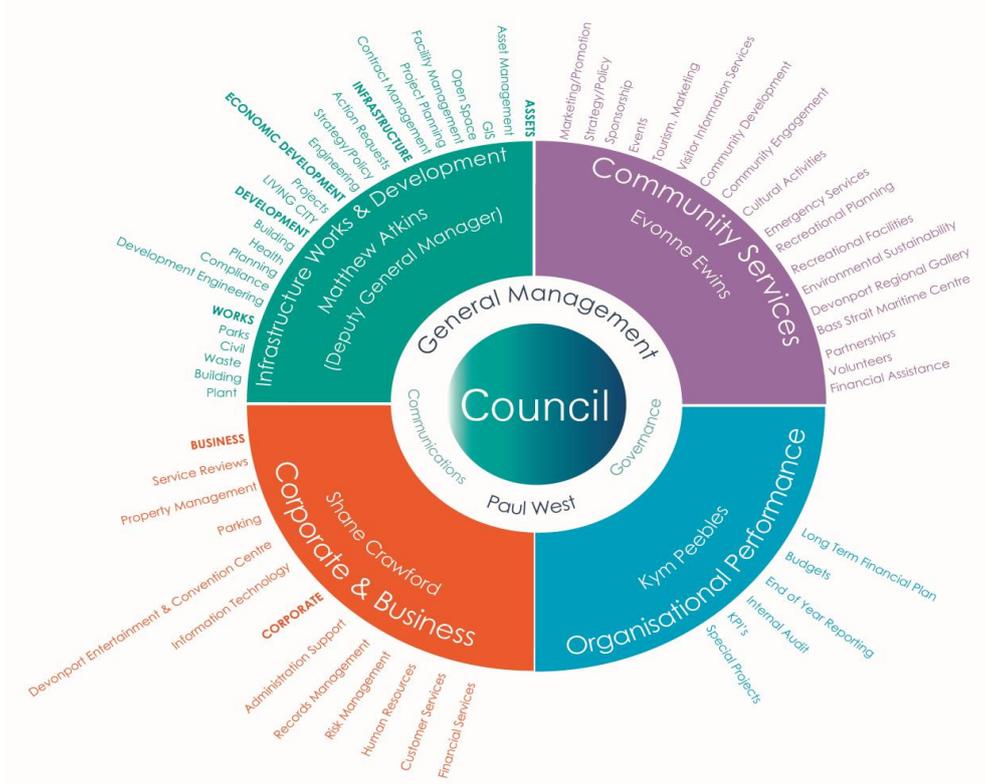
* Group absorbed by Strategic Special Committee due to changes to committee structure

** Committee/Working Group no longer exists



Organisation Structure

Council's structure is comprised of 5 distinct areas, each managed by an Executive Manager and in the case of General Management, the General Manager, Paul West, and Infrastructure, Works & Development, Deputy General Manager, Matthew Atkins. The Executive Managers are Shane Crawford - Corporate & Business; Kym Peebles - Organisational Performance; and Evonne Ewins - Community Services.



Council's Workforce Profile is as follows:

| Category | Full-Time | Part-Time | Casual |
|----------------------------|------------|-----------|-----------|
| Male | 88 | 3 | 9 |
| Female | 39 | 26 | 11 |
| TOTAL | 127 | 29 | 20 |
| General Manager | 1 | | |
| Deputy General Manager | 1 | | |
| Executive Managers | 2 | 1 | |
| Indoor (Best Street) | 61 | 14 | 3 |
| Outdoor (Operations) | 56 | 4 | 1 |
| Facilities/Satellite Sites | 6 | 10 | 16 |



Financial Performance Snapshot

The Annual Financial Report, including notes to the accounts is provided as an Appendix to this Annual Report. The Annual Financial Report meets the requirements of the *Local Government Act 1993* and Australian Accounting Standards and has been audited by the Tasmanian Audit Office. An unqualified audit opinion was issued by the Deputy Auditor General on 28 August 2015.

Financial Result for the Year

| Financial Summary | Actual 2014/15 \$000 | Budget 2014/15 \$000 |
|--|----------------------------|----------------------------|
| Ordinary Activities | | |
| Total operating revenue | 39,199 | 36,963 |
| Total operating expenditure | 35,497 | 36,963 |
| Surplus/(Deficit) from Ordinary Activities | 3,702 | 0 |
| Adjustments | | |
| Prepaid Financial Assistance Grant | (981) | 0 |
| Loss on Disposal of Assets | (798) | (390) |
| Share of profit of Dulverton Regional Waste Management Authority | 411 | 300 |
| | (1,368) | (90) |
| Underlying Surplus/(Deficit) | 2,334 | (90) |

Council has achieved a strong underlying surplus of \$2.3 million for the 2014/15 financial year. Increased revenue and a reduction in expenditure have contributed to the positive result. As well as maintaining services to the community Council delivered the first phase of the Food Connection Project in partnership with East Devonport and Devonport Community Houses and Heavens Kitchen to help improve access to fresh affordable food for residents. 2014/15 was also the first full year of operations at Splash Aquatic Centre managed by Belgravia Leisure.

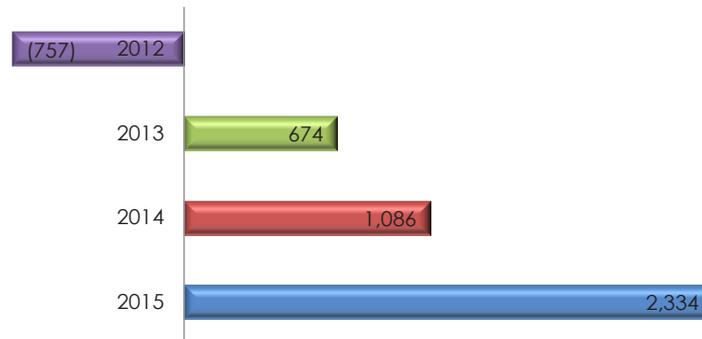
The generation of surpluses is a good indicator of financial sustainability and helps Council manage debt repayments and maintain cash reserves.

How does this performance compare to previous years?

The underlying surplus has been progressively improving over the past four years. Revenue has risen faster than expenditure over the period, despite rates being held at 2013/14 levels for this financial year. The progressive improvement also indicates that the cost management practices introduced by Council are proving to be effective.



Underlying surplus/deficit \$000



The following information aims to provide a brief summary of the 2014/15 financial result. Full details of Council's Financial Statements are available from page 51.

Where did Council source its revenue?

Rates and service charges make up approximately two thirds of Council's operating revenue with approximately a third of revenue coming from other sources. The table below compares the budgeted revenue with the actual revenue raised during the year.

| Operating Revenue | Actual 2014/15 \$000 | Budget 2014/15 \$000 | Variance \$000 |
|-------------------------------|-------------------------|-------------------------|-------------------|
| Rates and Service Charges | 26,351 | 26,228 | 123 |
| Fees and User Charges | 5,569 | 5,474 | 95 |
| Grants - Operating | 3,281 | 2,198 | 1,083 |
| Contributions - Operating | 57 | 52 | 5 |
| Investment Revenue | 2,634 | 2,098 | 536 |
| Other Revenue | 1,307 | 913 | 394 |
| Total Operating Income | 39,199 | 36,963 | 2,236 |

Total operating revenue was \$2.2 million or 6% higher than budget. Just under half of this variance was due to additional operating grants, being the pre-payment of \$981,000 in federal assistance grants and \$150,000 relating to the first phase of the Food Connections Project.

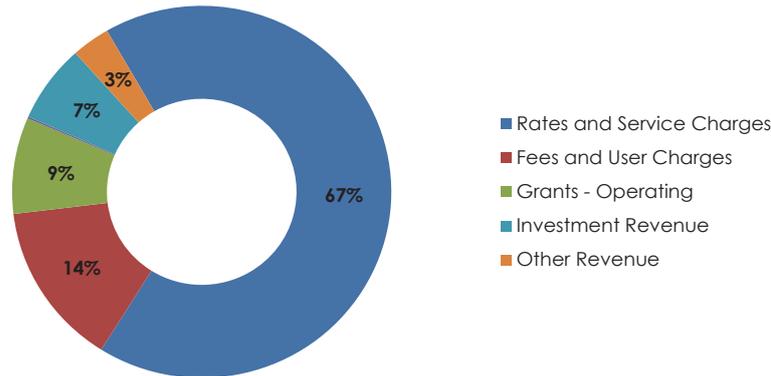
Interest and dividend income was 26% higher than budget due in part to higher cash balances and interest rates than anticipated and also increased distributions from Dulverton Regional Waste Management Authority and TasWater.

The other major variation was other revenue, including the recovery of utility costs from tenants of Council owned properties, recovery of outstanding amounts referred to collection agencies and insurance claim refunds. Council received \$96,000 in unbudgeted insurance refunds and an additional \$106,000 relating to the recovery of old outstanding debts.



Rates and service charges contributed \$26.3 million or 67% of total Council revenue. The chart below depicts Council's operating income by source for the 2015 financial year.

Operating Income - 2015



Where was the money spent?

During the budget process, Council identified the estimated operating and capital expenditure that it required. The information below compares the estimated expenditure with the actual expenditure for the year.

| Operating Expenses | Actual 2014/15 | Budget 2014/15 | Variance |
|------------------------------------|----------------|----------------|----------------|
| | \$000 | \$000 | \$000 |
| Employee Benefits | 11,585 | 12,110 | (525) |
| Materials and Services | 10,721 | 11,419 | (698) |
| Depreciation | 8,702 | 8,865 | (163) |
| Financial Costs | 1,211 | 1,255 | (44) |
| Levies & Taxes | 2,659 | 3,033 | (374) |
| Other Expenses | 1,202 | 1,157 | 45 |
| Internal Charges and Recoveries | (583) | (876) | 293 |
| Total Operating Expenditure | 35,497 | 36,963 | (1,466) |

Total operating expenditure was \$1.5 million or 4% less than budget. The major variations include:

A reduction in the number of full time equivalents (FTE) from a budget of 157 to 151 resulted in a saving of \$0.5 million or 4.3% in employee benefits.

Materials and services were 6.7% lower than budget. Savings included lower than expected electricity, gas and water costs at various Council facilities, lower street lighting charges and lower than expected expenditure on consultants.

Depreciation expense was 1.8% lower than budget partly due to a reduction in fleet vehicles.

Finance costs include all interest on borrowings in relation to the LIVING CITY project and the Aquatic Centre. The 3.4% variance between actual and budget related to lower interest rates than anticipated when Council borrowed funds to purchase the Harris Scarfe building.



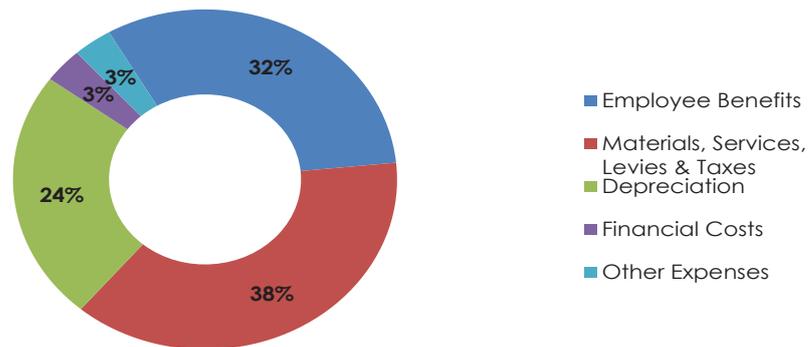
Levies and taxes includes all relevant land tax and rates on Council owned assets. The saving of \$374,000 or 12.3% related to a review of properties and a subsequent refund from the State Revenue Office.

Other expenses includes the Mayor's and Aldermen's expenses, rates remissions granted to ratepayers, community grants and donations provided throughout the year and cost of debt referred to collection agencies. The 3.9% increase in other expenses when compared to budget includes additional election costs from the Local Government election held in October and additional infringement debtors referred to collection agencies. Council is continuing to recover infringement amounts outstanding and the revenue is recorded in "Other Revenue".

Internal charges relate to the level of Council resources allocated to the annual capital program. The actual was 33% lower than the budget partly as a result of the reduced number of employees.

The chart below depicts Council's expenditure by type for the 2015 financial year:

Operating Expenditure - 2015



Capital Expenditure

\$'000

Council delivered \$7.2 million in capital expenditure across the following areas:

| | |
|---------------------------|-------|
| • Open Space & Recreation | 378 |
| • Facilities | 536 |
| • Stormwater | 456 |
| • Roads | 4,611 |
| • Plant & Fleet | 297 |
| • Other Equipment | 167 |
| • LIVING CITY Project | 770 |

The 2014/15 capital program was smaller in dollar terms than previous years as Council has completed several major projects over the past four years. The Roads Program included the construction of the roundabout at Stony Rise Road and Middle Road intersection and the conversion of the Best Street car park to a Pay As You Leave facility. Council continued to replace old heating infrastructure at key facilities with energy efficient alternatives. This included improvements at the Devonport Entertainment and Convention Centre and several community facilities. A Masterplan for the LIVING CITY project was released to the community during the year and adopted by Council in September 2014. Recent expenditure has concentrated on finalising the Plans for Stage 1 of the Masterplan.

The capital program was partly funded by capital grants from the Tasmanian and Federal governments, respectively, totalling \$2.1 million relating to the construction of the roundabout at Stony Rise Road and the CEEP project.



Key Financial Management Indicators

The table below provides a selection of the Key Financial Indicators for the year. Further analysis and other financial indicators are included in Note 39 of the Financial Statements.

| Indicator | Council Target | 2014 Actual | 2015 Actual |
|--|------------------|-------------|-------------|
| Financial operating performance | | | |
| Underlying surplus ratio | 0% - 15% | 2.92% | 6.04% |
| Liquidity position | | | |
| Current Ratio | 1:1 or greater | 1.94:1 | 3.55:1 |
| Cash \$000 | 3,000 or greater | 10,312 | 18,658 |
| Net financial liabilities \$000 | | (14,159) | (6,858) |
| Net financial liabilities ratio | 0% to (50%) | (38.07%) | (17.75%) |
| Net interest cost | below 5% | 1.54% | 1.44% |
| Asset management performance | | | |
| Asset consumption ratio - roads | 40% to 60% | 46% | 46% |
| Asset sustainability ratio | 60% to 100% | 82% | 43% |

Financial operating performance

As noted above the underlying surplus has been steadily improving over the past 4 years. The result this year has been impacted by increased revenue and reduced expenditure, including some one off items. Council is expecting to return to a much smaller underlying surplus for 2015/16.

Liquidity position

The current ratio compares the current assets to the current liabilities. The target is to ensure Council has sufficient cash and short term assets on hand to meet its short term liabilities. As shown above, at 30 June Council is in a position to be able to comfortably meet all short term liabilities if required.

Through the Financial Management Strategy Council has set a target to maintain cash reserves at a minimum of \$3 million. Cash balances increased by \$8.3 million during the year due to the positive operating result and less capital expenditure than expected. Capital expenditure on works in progress, will be carried forward into the 2015/16 financial year.

Net financial liabilities is measured as cash and receivables less total liabilities. It measures Council's ability to repay all amounts owing (including long term debt) out of its liquid assets. As the cash reserves have increased, the net financial liabilities position and ratio has improved, despite new borrowings of \$2.4 million during the year.

The net interest cost represents the percentage of Council's operating revenue dedicated to meeting its net interest expense. As cash reserves have remained higher than anticipated more interest income has been generated, resulting in a lower net interest cost to Council. This measure has been included to ensure Council has adequate coverage of its interest expense as it is borrowing to progress the LIVING CITY project.

Asset management performance

The asset consumption ratio measures the average percentage of remaining useful life of Council's assets, or the average proportion of new condition left in assets. As the roads asset class is typically the largest, this asset class is usually the focus of this ratio. As shown above and reflected in Note 39 of the Financial Statements, the ratio has been fairly constant over the past 4 years at around 46%. This indicates that Council is maintaining the condition of its road assets.



The asset sustainability ratio compares the rate of capital expenditure on renewing existing assets, with the value of depreciation. This ratio is considerably lower this year in comparison to the previous 3 years as the overall size of the capital program reduced. This followed several years of high capital expenditure. The ratio is also impacted by the assumed useful lives of assets and the level of depreciation. Council recognises that this ratio is below the target range and will continue to monitor its assets as well as review asset lives as part of its regular asset management practices.

We invested

\$4.6 million

in making our roads easier to travel

We invested

\$770,000

in LIVING CITY

We raised

\$31.9 million

from rates, fees and charges

We received

\$2.1 million

in capital grants

We managed

\$667 million

worth of land and infrastructure

We spent

\$4.6 million

on parks, reserves and sports grounds

We spent

\$1.8 million

on stormwater maintenance

We spent

\$3.9 million

on waste management

We spent

\$7.7 million

on arts, culture, marketing, events and recreation



Asset Management

Council owns and maintains over \$414 million worth of infrastructure assets including roads, parks, buildings, stormwater drainage, footpaths and lighting. Assets provide important services to the community. These assets, which are used by the community every day, deteriorate over time and require ongoing maintenance or replacement. A key issue facing Council is the management of aging assets in need of renewal and replacement.

The goal of asset management is to ensure that services are provided:

- through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets for present and future consumers;
- in the most cost effective manner.

Council revised its Asset Management Policy in April 2015. The Policy sets guidelines to implement consistent asset management processes throughout Council and to ensure provision is made for the long-term replacement of major assets through the Long Term Financial Management Plan.

Council also developed and adopted an Asset Management Strategy to further the Strategy and objectives outlined in the Policy. The objective of the Strategy is to establish a framework to guide planning, construction, maintenance and operation of the assets essential for Council to provide services to the community.

Reviewing the Asset Management Plans will be the next step for Council. Understanding the current condition of the assets is a critical component for managing them. Regularly assessing the condition of Council's assets means that renewal programs can be adjusted to meet the needs and expectations of the community.

Stormwater Condition Assessment:

Stormwater condition assessment inspections were completed for 271 stormwater assets. The information collected from the inspections was used to rate each of the assets. The assets were rated 1-5 (very good to very poor) on structural condition (assessment of remaining life) and serviceability (ability to transfer water).

Generally the structural condition of the assets inspected was comparable to the expected degradation based on the age of the assets. However, approximately 100 assets required follow up work to clear blockages and make minor repairs. There were no instances where a major failure was identified. Follow up works were prioritised using a risk based approach.





Road Surface Condition Assessment:

Every five years a detailed condition assessment is carried out on the surface of Council's road network. The assessment covers all of Council's major use roads and half of the minor use roads (as defined in the Road Network Strategy). The detailed condition assessment was conducted in February 2015 and the following results were provided together with a detailed report:

| Rating | Condition Description | No. of Road Segments Inspected | % of Road Segments Inspected |
|--------|-----------------------|--------------------------------|------------------------------|
| 1 | As New | 139 | 52% |
| 2 | Good | 28 | 11% |
| 3 | Fair | 36 | 14% |
| 4 | Poor | 22 | 8% |
| 5 | Very Poor | 40 | 15% |
| | Total | 265 | |

Of the 62 road segments (road segments are generally from intersection to intersection) that were rated 'poor' or 'very poor', 13 were renewed during the 2014/15 financial year through capital works projects and the reseal program. The remaining 49 will be investigated further to determine the best treatment and the timing of the improvement works.

Road Management in Local Government:

In May 2015, the Tasmanian Audit Office released the 'Report of the Auditor-General No. 11 of 2014/15: Road Management in Local Government'. The objective of the audit was to express an opinion on whether local governments were managing the construction and maintenance of Tasmanian Council-owned roads effectively and efficiently.

The management of sealed and unsealed roads (excluding bridges) of four Tasmanian Councils was audited, with Devonport City Council being one of the Councils selected.

Overall the report concluded that:

'DCC roads were in reasonable state. DCC had effective processes to identify and fix maintenance issues, and to identify and program required renewals and upgrades. It was also likely that DCC was reasonably efficient compared to other Tasmanian Councils and was performing an appropriate level of maintenance.'

The report included 3 recommendations for Council - the documenting of inspection processes, updating long term asset management plans, and reviewing expenditure on road renewals. The recommendations are being progressively implemented. A full copy of the report can be found at the Tasmanian Audit Office website.





Quick Stats

| Did you know... | This year - 2014/15 | Last year - 2013/14 |
|---|---------------------|----------------------------------|
| Population of Devonport | 25,546 (2014) | 25,628 (2013) |
| Median Age | 40 years (2014) | 40 years (2011) |
| New Citizens welcomed to Devonport | 38 | 37 |
| Number of Rateable Properties | 12,071 | 12,000 |
| Average General Rate | \$1,106.08 | \$1,104.11 |
| Total General Rate Revenue received | \$20.5M | \$20.3M |
| Operating Revenue received | \$39.2M | \$35.8M |
| Operational Expenditure | \$35.5M | \$35.8M |
| Capital Works completed | \$7.2M | \$13.3M |
| Roads | 281.1kms | 268.5 kms |
| Footpaths/Paths & Walkways | 258.1kms | 221.4kms |
| Sports Grounds | 14 | 14 |
| Property Certificates issued | 941 | 911 |
| Development Applications approved | 161 | 162 |
| Estimated value of Development Approvals | \$31.1M | \$38.6M |
| Building Permits issued | 274 | 243 |
| Food Premise Licences issued | 234 | 221 |
| Immunisations administered | 1,946 | 3,134 |
| Dogs registered | 4,266 | 3,894 |
| Parking Infringements issued | 28,151 | 31,828 |
| People through doors at Customer Services | 46,665 | 48,108 |
| Number visitors to the Visitor Information Centre | 47,256 | 60,161 |
| Number visitors to the Devonport Regional Gallery | 23,257 | 26,057 |
| Number of entries to Bass Strait Maritime Centre | 11,323 | 9,654 |
| Number passengers on Julie Burgess | 802 | 822 |
| Number entries to Splash Aquatic & Leisure Centre | 424,958 | 154,112 (first 6 mths operation) |
| Number of active Volunteers | 141 | 106 |
| Number of Volunteer hours recorded | 8,645 | 10,181 |
| Items of Business considered by Council | 259 | 241 |
| Total wages paid | \$9,722,718 | \$10,203,613 |
| Number of Full Time Equivalent staff | 151 | 159 |
| Percentage of Female staff | 43% | 43% |
| Percentage of Male staff | 57% | 57% |
| Staff turnover rate | 10.17% | 9.34% |
| Unleaded petrol consumed | 42,608 litres | 60,160 litres |
| Diesel consumed | 188,779 litres | 200,152 litres |
| Waste taken to landfill | 14,173 | 13,701 tonnes |

Section 2

Performance Highlights

LIVING CITY MASTER PLAN LAUNCH - AUGUST 2014: The LIVING CITY Master Plan was launched by the Premier of Tasmania, the Hon. Will Hodgman at the CMax Cinema Complex on 7 August 2014, at an event attended by approximately 120 invited guests. The launch included a video outlining the four year journey of LIVING CITY, an artist impression fly-thru video of the Master Plan and speeches by the Mayor Steve Martin and Taskforce Chairman Royce Fairbrother. The Master Plan was unanimously adopted by Council in September 2014.



LIVING CITY \$10M FEDERAL GOVERNMENT 'NATIONAL STRONGER REGIONS FUND' GRANT - MAY 2015: Council was successful in securing \$10 million in May 2015 as part of the Federal Government's National Stronger Regions Fund. The funding will go towards an 800 seat conference centre within the proposed multi-purpose civic building; infrastructure for a uniquely Tasmanian commercial food market; and the new multi-storey carpark - all part of Stage 1 of LIVING CITY.

LOCAL GOVERNMENT ELECTIONS - NEW COUNCIL - NOVEMBER 2014: Statewide Local Government elections were held during October 2014. A new Council was sworn in at the 'Declaration of Poll' ceremony held in November 2014. Two new Aldermen were elected to Council - Ald Charlie Emmerton and Ald Jeff Matthews. With the reduction of elected members from 12 to 9 at this election, Council farewelled Peter Hollister, Graham Kent, Warren Squibb, Bill Wilson and Brian Cole. Ald Steve Martin was elected as Mayor, with Alderman Annette Rockliff as Deputy Mayor.

LGMA AWARDS - APRIL 2015: In April 2015, two Council employees were recognised at the Local Government Managers Australia (LGMA) Tasmanian sector awards. Shane Crawford, Council's Executive Manager - Corporate & Business, was awarded the *Management Excellence Award*, whilst Jamie Goodwin, Council's Technical Support Supervisor was presented with the *Emerging Leader of the Year Award*. The Awards recognise excellence and leadership of managers within the local government sector - celebrating their achievements and contribution made to local government.





DEVONPORT FOOD & WINE FESTIVAL - MARCH 2015:

The 6th annual Devonport Food and Wine Festival was held over March 2015. The month long event comprised of over 50 events, which showcased the State's best fresh food and produce. The highlights of the Festival included the Food and Wine Festival Ambassador Dinner, with this year's Ambassador, Paul West; a Living Lightly Expo at the Devonport Community Gardens; a 100 Mile Dinner at TasTafe, prepared by young people seeking employment in the industry; and Taste the Harvest.



SHARED AUDIT PANEL - MARCH 2015: In late 2014, Devonport and Central Coast Councils agreed to form a shared Audit Panel, identifying synergies and cost savings that could be achieved by a shared arrangement. The first meeting of the shared Audit Panel took place on 2 March 2015. The Councils appointed Sue Smith and John Howard as external members, with Sue undertaking the role of Audit Panel Chair. The Panel is also comprised of Elected Members and staff from both Councils. The Devonport Panel also includes Ken Clarke.



VOLUNTEERS WEEK - MAY 2015: Council celebrated National Volunteer Week during May by recognising the wonderful contribution made by community volunteers. Volunteer Certificates of Recognition were issued as a gesture of appreciation for the support and contribution volunteers make to the local community. A breakfast was held at the Bass Strait Maritime Centre to celebrate Council's registered volunteers. Council currently has 141 registered volunteers who work across numerous facilities and Council events, including the Visitor Information Centre, the Bass Strait Maritime Centre, the Julie Burgess, and Devonport Jazz.

WILLIAM STREET UPGRADE - JAN-MARCH 2015: Road resurfacing and crossing point upgrade works were undertaken in the Fourways precinct in early 2015. The works created a smoother road surface and safer pedestrian facilities on this busy section of William Street.

AUSTRALIAN WOODEN BOAT FESTIVAL - FEBRUARY 2015: The Julie Burgess participated in this year's Wooden Boat Festival in Hobart in early February. The ketch was victorious in winning the inaugural Wrest Point Cup as part of the Working Ketch Review at the Festival, held on the Derwent River.





Australia Day Award Celebrations

On 26 January 2015, Council celebrated Australia Day by holding a joint Citizenship Ceremony and presentation of Australia Day Awards at the Devonport Entertainment and Convention Centre. 13 people officially became Australians by their participation in the formal Citizenship Ceremony. Following the Citizenship Ceremony, Council announced the recipients of Devonport's Australia Day Awards. The Australia Day Ambassador for 2015, Finegan Kruckmeyer, was guest speaker at the event. Finegan is an Irish born playwright who moved to Adelaide at the age of 8 years of age, and now lives in Hobart. Finegan's plays are seen across the world and he has won a number of prestigious awards for his work.

Citizen of the Year – Joan Andrews

Joan Andrews was recognised for her tireless service to the community over many years. Following Joan's years of service as a school teacher, she has been actively involved in the Chat 'n Choose program, where she tutored participants in the Norwegian needlecraft called hardanger, a craft for which she has been awarded numerous international prizes. Joan has also been involved with the Devonport Sister City Association since its inception and served as Secretary for a period. Joan is also the President of the Devonport Eisteddfod, a position she has held for the past three years, and an organisation in which she has been involved for many years.

Young Citizen of the Year – Laura McMahon

Laura McMahon was recognised for her involvement in running the Youth Week event, 'Reclaim the Lane', pop up shops and galleries, in addition to other youth events. Laura's artwork has been displayed in the Devonport Regional Gallery's 'Little Gallery', and she has facilitated workshops for Devonport's youth in the art of 'paste ups'. Her selfless contributions make her an inspiration to her peers and she is recognised as a future leader in the community.

Community Event of the Year - Christmas in the East

As the Community Event of the Year winner, 'Christmas in the East' was recognised for providing a free community event for families in East Devonport. The event first took place in 2008, and provides the families of East Devonport with a free community run Christmas event. The event is organised by a group of dedicated volunteers and is partnered by local organisations who are committed to bringing the joy of Christmas to East Devonport annually.





Performance and Highlights against The Annual Plan

Performance Indicators

| Service Unit/Department | Performance Indicator | Performance Result |
|-----------------------------------|--|--|
| Corporate Operations | Percentage of Annual Plan actions completed | 70% |
| | Improved employee satisfaction | 3% increase on last survey |
| | Number of insurance claims made over excess | 11 |
| | Compliance with external audit requirements | Complied with the Office of Auditor General's Financial Audit requirements for 2014/15. Participated in Office of Auditor-General's local government road management review. Recommendations to be implemented over next 12 months |
| | Reduced lost time injury | Lost time injury frequency rate (LTIFR) = 33.5 Medical treatment injury frequency rate (MTIFR) = 50.28 |
| Emergency Management | Number of emergency management and social recovery meetings attended during financial year | Social Recovery - 12; Emergency Management - 6 |
| | Participation in emergency management training exercises | 2 |
| Parking | Car park capacity utilised | 58% |
| Buildings & Facilities | Compliance with established service levels | 100% |
| Public Open Space | Compliance with established service levels | 100% |
| Roads | Compliance with established service levels | 100% |
| Stormwater | Compliance with established service levels | 100% |
| Waste Management | Total waste (tonnes) to landfill | 14,173 |
| | Number of entries to the Waste Transfer Station (excluding recycling) | 27,799 |



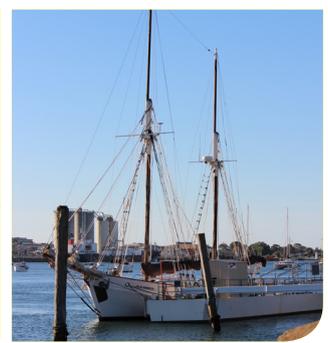
Performance Indicators (cont.)

| Service Unit/Department | Performance Indicator | Performance Result |
|---------------------------------------|--|---|
| Building Regulatory Services | Number of building applications lodged during year | 284 |
| | Average number of working days to process building applications | 12 |
| Planning Services | Number of planning applications lodged during the year | 174 |
| | Average number of working days to process planning applications | Discretionary – 32 (42 days timeframe) Permitted – 24.17 (42 days before 1/1/2015) Permitted – 17 (28 days from 1/1/2015) |
| | Percentage of development applications completed within statutory time frame | 100% |
| | Number of Council planning decisions referred to Resource Management Planning & Appeals Tribunal (RMPAT) | 2 |
| Environmental Health Services | Percentage of inspections of food handling premises | 37% |
| | Number of Place of Assembly licences issued | 90 |
| | Number of childhood immunisation clinics held | 21 |
| | Number of safe food handling training sessions held | 16 |
| | Number of dogs registered in the Council area | 4,266 |
| Community Development | Number of community events/activities delivered | 17 |
| | Number of community engagement activities delivered | 14 |
| | Number of partner organisations engaged in the delivery of community programs | 3 |
| | Number of volunteers and total volunteer hours | 141 current volunteers - 8645.3 hours |
| | Number of new volunteers recruited | 25 |
| Community Financial Assistance | Number and total value (\$) of Community Financial Assistance Grants | 11 Grants Awarded - total value: \$16,133 |
| | Completion of Grant acquittal process | 4 Projects Acquitted (*End date for projects in grant conditions 31/12/16) |
| Devonport Regional Gallery | Number of visitors to the Gallery | 23,257 |
| | Number of education and public programs conducted | 148 programs; 5,188 participants |
| | Number of exhibitions held | 13 (9 - Main Gallery; 4 - The Little Gallery) |



Performance Indicators (cont.)

| Service Unit/Department | Performance Indicator | Performance Result |
|---|---|---|
| Devonport Entertainment & Convention Centre (DECC) | Total number of tickets sold for productions held at the DECC | 13,392 |
| | Percentage of sales online | 37% |
| | Total number of functions booked at the venue | 102 |
| | Number of memberships/subscribers | 122 |
| | Number of website hits | 19,764 |
| Marketing & Events | Number of Council run events conducted | 5 (Australia Day, Food & Wine Festival; Jazz; Christmas Parade & 'Tis the Season; New Year's Eve) |
| | Number of Council supported events | 153 |
| | Number of permits and applications processed | 225 |
| | Number of advertising features | 40 |
| | Number of actions completed from the Tourism Development Strategy | 50/109 completed |
| | Number of visits to the Tourism Website | 162,351 |
| Recreation Development | Number of sports ground bookings | 101 |
| | Number of bookings made online | 34 |
| | Number of sports events attracted to the City | 18 |
| Devonport Recreation Centre | Number of bookings | 3,278 |
| | Number of user groups using facility | 224 |
| | Number of special events held at the Centre | 22 |
| East Devonport Recreation Centre | Number of Bookings | 536 |
| | Number of user groups using the facility | 103 |
| | Number of special events held at the Centre | 16 |
| Visitor Information Centre | Number of visitors to the Centre | 47,256 |
| | Number of bookings | 3,446 |
| | Number of operators advertising at the Centre | 123 |
| Community Partnerships | Number of initiatives delivered | 11 partnership agreements in place |
| Bass Strait Maritime Centre | Number of visitors to the Centre | 11,323 |
| Julie Burgess | Number of passengers | 802 |
| | Number of volunteers | 38 |
| Home Hill | Number of visitors | 1,434 |
| | Number of school group visits | 204 |



Annual Plan Action Reporting and Highlights

The following section is comprised of highlights and performance against the 2014/15 Annual Plan. Of the 70 actions adopted as part of last year's Annual Plan:

- 49 - Completed
- 18 - In Progress/Ongoing
- 3 - Not Started/Deferred

Living Lightly on our Environment

- Energy Efficiency upgrades completed as part of Community Energy Efficiency (CEEP) Funding
- Adopted revised Don Reserve Environmental Management Plan
- Hosted National Tree Day activities
- Endorsed Cradle Coast Waste Management Group's Food Organics and Garden Organics (FOGO) service to next stage

Building a Unique City

- Developed an interactive parking information map available on the Council website
- Completed a stormwater pipe network inspection
- Developed an asset condition assessment and rating system for Council building assets
- Reviewed and adopted an updated Asset Management Policy
- Launched and adopted the LIVING CITY Master Plan
- Secured \$10 million in funding for LIVING CITY through the Federal Government's National Stronger Regions Fund

Growing a Vibrant Economy

- Delivered seven events in Devonport in partnership with Sports Marketing Australia
- Participated in destination marketing campaigns developed by Cradle Coast Tourism Executive and produced and aired a television commercial promoting Devonport as a tourist destination
- Adopted a Road Network Strategy



Building Quality of Life

- Completed the Recreation Service Delivery Model Review for the Devonport and East Devonport Recreation Centres
- Held two major exhibitions, 'Fashion Fancies' (showcasing textiles from the Moon Collection) and the 'Reviewing Robinson Collection' (also from the Permanent Collection) at the Devonport Regional Gallery
- Delivered Tidal: City of Devonport Art Award, which was won by artist Joel Cresswell
- Commenced the development of a shared services model for Council's cultural facilities
- There has been an increase in subscriber numbers for the Devonport Entertainment and Convention Centre
- Approved two public art applications for the construction of memorial walls
- Adopted a reviewed Community Safety Strategy
- Commenced the development of a Learning Communities Strategy
- Worked with the Devonport Food Security Network to implement solutions to increasing accessibility to, and supply and use of, local fresh produce, through relevant training sessions, courses and programs
- Launched the Junction Hub Project, to assist in the delivery of youth services across Devonport

Practicing Excellence in Governance

- Conducted a Volunteer Satisfaction Survey, and developed recommendations from results
- Completed Aldermen Inductions for newly elected Aldermen following 2014 Local Government elections
- Developed process for monitoring and reporting against service levels as outlined in the Customer Service Charter, which will be implemented in the 2015/16 financial year
- Completed rates modelling
- Enhanced the organisation's safety culture, improved safety documentation and reporting of near hits and hazards, supported the recognition of safety in the workplace
- Completed an insurance audit and insurance portfolio review
- Adopted a new Code for Tenders document
- Completed review of Employee Induction Program, with recommendations, including online induction process.
- Introduced an electronic tendering system



Upgrade to energy efficient heating, lighting and insulation in selected Council facilities as part of the Australian Government funded Community Energy Efficiency Program (CEEP)

Devonport Energy Efficiency Project, co-funded by the Australian Government Department of Industry through the Community Energy Efficiency Program delivered equipment upgrades to promote energy efficiency on a number of Council and Community Facilities which included:

- Lighting at the Devonport Regional Gallery, Devonport Recreation Centre, East Devonport Recreation Centre, Operations Centre and Roundhouse Park;
- Devonport Surf Club lighting, heating, ventilation and air conditioning;
- Devonport Community House lighting, insulation, heating, ventilation and air conditioning;
- Devonport Entertainment and Convention Centre heating, ventilation and air conditioning;
- Devonport Soccer Club hot water system;
- Insulation, heating, ventilation and air conditioning at Elanora Childcare Centre, Keiko Childcare Centre, Devonport Playhouse and the East Devonport Community House

Revise the Don Reserve Environmental Management Plan

Revised Plan adopted by Council at its June 2015 meeting



Host National Tree Day activities for the community

National Tree Day saw over 70 community members volunteer to plant 400 seedlings at Clayton Reserve on Sunday July 27th 2014. The event attracted considerable media coverage (The Advocate & ABC FM) and positive feedback was received from attendees



Participate with other Cradle Coast Councils in the investigation of the feasibility of a food, organics and garden waste collection service

Council endorsed the Cradle Coast Waste Management Group's Food Organics and Garden Organics (FOGO) service to the next stage

Review, consult, consider and implement improvements to Council's domestic and commercial waste collection service

Council's waste management services were reviewed as part of the annual budget preparation

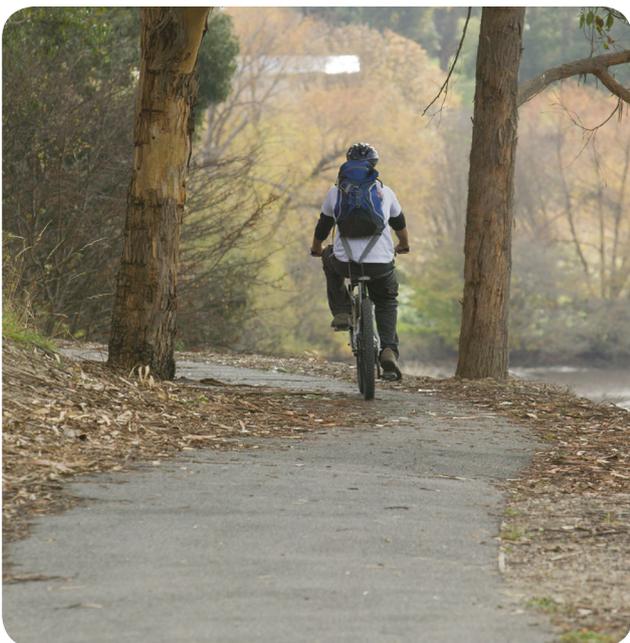


Actively participate in legislative processes and hearings for the determination of Council and community representations about zoning and other requirements of the Interim Planning Scheme

The State Government has advised it will not hold formal hearings about Interim Planning Schemes. Instead it has focused resources on the development of a single Tasmanian Planning Scheme, of which a draft version is due to be released before the end of 2015. Council is participating in the development of the document

Investigate a regional visitor information approach including digital marketing and website access

The recommendations from the Cradle Coast Visitor Services Review have been received and noted by Council. The implementation of a technological approach incorporating Visitor Touchscreens has been evaluated, and will not be implemented on a regional scale. The Cradle Coast Tourism Executive and the Cradle Coast Marketing Group will continue to leverage state and regional digital platforms to drive visitors to Devonport. A desk top analysis of websites and social media has also commenced for the region and sub-region, to ensure consistency of delivery of visitor information



Review and update the Cycling Network Strategy (2010) and Action Plan

The Strategy has been reviewed, updated and adopted

Review provision of disability parking

To be considered as part of the Parking Strategy review to be undertaken in 2015/16 and actions will be listed in the Action Plan for follow up and implementation

Work in partnership with other Cradle Coast Councils to ensure commonality of planning provisions across municipal borders

Council is working in consultation with other Cradle Coast Councils to ensure commonality of requirements of the various Interim Planning Schemes. The Cradle Coast Planning Reference Group is also involved in the development of the single State Planning Scheme



Develop an interactive parking information map for Council's website and review other websites for accuracy of information

This has been completed and is available on the new Council website



Undertake CCTV condition assessment of Council's stormwater pipe network

Inspection of 11 kilometres of stormwater pipe was completed in April 2015. Data was analysed and reported to the Infrastructure, Works & Development Committee meeting in June 2015

Work with the State Government, the community and key stakeholders to secure Federal Government support for LIVING CITY

Council secured \$10 million from the Federal Government through Round One of the National Stronger Regions Fund in May 2015

Plan and implement an asset condition assessment and rating for Council building assets (and review remaining useful lives)

An asset condition assessment and rating system for Council building assets has been developed. Implementation of the system will be rolled out progressively during 2015/16



Review and update Council's Asset Management Plans and develop and Asset Management Strategy

Council's Asset Management Policy was reviewed and adopted by Council at its meeting in May 2015. An Asset Management Strategy was developed and adopted by Council in June 2015. Council's Asset Management plans will be reviewed in accordance with the Asset Management Strategy

Progress retail elements of LIVING CITY to development approval stage

Negotiations with major retailers will be advanced once details of Stage 1 of LIVING CITY are finalised

Finalise, launch and consult on a Master Plan aligned with the principles of LIVING CITY

Following a formal launch and public consultation period, the Master Plan for LIVING CITY was adopted by Council on 22 September 2014





Work with Sports Marketing Australia to attract events to Devonport to drive economic development through sports tourism

The partnership with Sports Marketing Australia has ensured seven events were delivered to Devonport during the financial year. Events included Basketball State U/12 Championships, Tasmanian Squash Open, Australian Freestyle Motor Cross Championships, PGA Tasmanian Senior Open and Touch Tasmania State Cup. Events were likely to have injected over \$3.5 million directly into the Devonport economy

Work with Tourism Tasmania, Cradle Coast Authority and local tourism associations through cooperative and collaborative marketing campaigns

Council has participated in the destination marketing campaigns developed by the Cradle Coast Tourism Executive. The marketing campaigns were run through Jetstar, promoting Tasmania's North West at the decision making points of the consumer's journey. A television commercial was also produced, promoting Devonport as a destination. The commercial began airing in June and continue to run until August 2015

Undertake and deliver outcomes of the Devonport Visitor Information Services Review and participate in the recommendations of the Regional Visitor Services Review

Recommendation from Cradle Coast Regional Visitor Services Review has been received and noted by Council. The Devonport Visitor Centre has embraced the technological approach, and analysis of the way information is dispersed to visitors. The ongoing actions and recommendations from the Regional Review will be reported through the Cradle Country Marketing Group

Review and update the Devonport Road Network Strategy (2009)

The Road Network Strategy 2014 was adopted by Council in April 2015

Develop a Public Transport Plan

Review of public transport strategies has been undertaken and consultation and input from stakeholders has been completed. The Public Transport Plan will be finalised during 2015/16

Develop a Freight and Heavy Vehicle Plan

This action is ongoing. The establishment of the National Heavy Vehicle Regulator and projects managed by the Department of State Growth have prevented progression of this Plan as State and Regional cooperation is required. The Plan is now likely to be completed in early 2016

Adopt strategies and actions to ensure Council are "Digital Ready" and prepared for opportunities that may arise from the roll out of the National Broadband Network (NBN)

NBN in Devonport is unlikely to be available until 2017. A Digital Strategy is under development with likely adoption in the last quarter of 2015

Support programs which will benefit economic activity within the City

The 'Renew Devonport' Steering Committee has evaluated the year's activities and plan to prepare a business plan. The auspicing body for 'Renew Devonport' moving forward will be the Devonport Chamber of Commerce & Industry. There has been minimal uptake by property owners to date, which has impacted on the success of the Project



Review opportunities to improve the service delivery models for the East Devonport and Devonport Recreation Centres

The Recreation Service Delivery Model Review has been completed. Operational changes will be implemented in September 2015. The changes will streamline resources and staffing, and generate operational savings across both Centres

Work in collaboration with stakeholders to inform the future of Tiagarra

The Tiagarra Special Interest Group is awaiting the outcome of a funding request to the State Government. Funds, if approved, will be used to engage an independent consultant to facilitate the preparation of a report which addresses the future of Tiagarra. A draft consultants brief has been prepared

Deliver at least two exhibitions from the City of Devonport Permanent Collection, a solo commission (Main Gallery) and emerging artists (Little Gallery) and run workshops celebrating local artists

Two major exhibitions held at the Gallery this year include 'Fashion Fancies' (showcasing textiles from the Moon Collection – which is part of the Council's Permanent Collection) and the Reviewing Robinson Collection (also from the Permanent Collection). The Robinson Collection was exhibited as part of the Tasmanian International Arts Festival 2015. Additionally, four artists were commissioned to create photographs inspired by the Robinson Collection, and workshops were held including a series of night photography and school excursions to the Gallery

Deliver Tidal: City of Devonport Art Award and supporting public programs

Tidal was successfully delivered with a record number of entries. A total of 4,262 people visited the exhibition and attended workshops and talks. Tidal: Art Award- Judges short-listed entries from over 250 submissions. 27 artists were selected by the judges. The finalist exhibition opened on 12 December 2014 and the winner, Joel Crosswell, was announced

Work in partnership with the National Trust to determine future model for Home Hill

The Maritime and Heritage Special Interest Group requested to meet with the National Trust to review the current level of financial support by Council and a three year partnership agreement has been drafted which will be finalised in the 2015/16 financial year. Actions relating to risk assessments conducted are being progressed

Investigate feasibility of a city-wide arts festival celebrating Tidal Art Award

Investigation of the feasibility of a city-wide arts festival celebrating Tidal Art Award is ongoing, with a view to forming a Tidal: Festival working group during first quarter of 2015/16. A number of funding opportunities have been identified and application will be dependent upon programming decisions





Explore shared services models across Council's cultural facilities

Development of a shared service model has commenced and preliminary analysis of service areas has occurred, including Strengths, Weaknesses, Opportunities & Threats, and service functions & outputs. This has identified a number of commonalities between the operational areas with further investigation required to fully understand implications of possible findings and subsequent recommendations

Investigate alternative revenue and sponsorship streams for the Devonport Entertainment and Convention Centre

Partnerships with production companies, presenters and industry organisations provided access to a diverse range of professional arts experiences during the year. A new subscription season was introduced for which there are over 120 subscribers - a significant increase on the previous membership program

Identify and implement public art opportunities

During 2014/15, Council approved two public art applications for the construction of memorial walls. The ANZAC Centenary Memorial Wall has been completed and is located adjacent to the Cenotaph on Victoria Parade. A number of Public Art opportunities have been identified, with a Community Public Art project in its inception phase for East Devonport being identified as a priority for implementation during 2015/16

Commission a study of the Local Heritage Code to determine whether sites should be maintained or removed from the Register

Deferred this action given pending introduction of Single Statewide Planning Scheme

Update Dog Management Policy

Currently being reviewed to ensure consistency with legislation

Review the Devonport Community Safety Strategy

The Community Safety Strategy was adopted by Council at its December 2014 meeting

Facilitate a Learning Communities Strategy

Facilitation involving a diverse range of stakeholders is continuing. Strategy development has commenced



In partnership with child and family service providers, investigate the feasibility of establishing a shop front to provide information and support to families with children

The Building Families Special Interest Group has collaboratively reviewed various options in regards to the form a shop front may take, including various models of community spaces



Work with Devonport Food Security Network to implement project funded by Tasmanian Medicare Local to identify and implement innovative solutions to improving access, supply and use of local fresh produce

Programs have been ongoing, including food kitchens, healthy food training sessions and horticulture, community services and hospitality courses. Regional Food Forum held in May. Information and data collected from workshops held at the Forum will inform the North West Regional Food Coalition and the Mersey Leven Food Hub. Council is currently identifying gaps highlighted from this information to ascertain data to target, and from this produce a report. Community Gardens on Nature Strips Guidelines were adopted by Council in March. East Devonport Community House acquired a food van and is in the process of fit out

Work with stakeholders to create opportunities for youth in East Devonport

The East Devonport Special Interest Group is actively seeking opportunities for youth in East Devonport. Council is also represented on the Junction Hub Steering Committee, which determines strategic priorities for the delivery of youth funded services across Devonport

Work in partnership with youth services to deliver youth hubs across the City utilising Tasmania Medicare Local funding

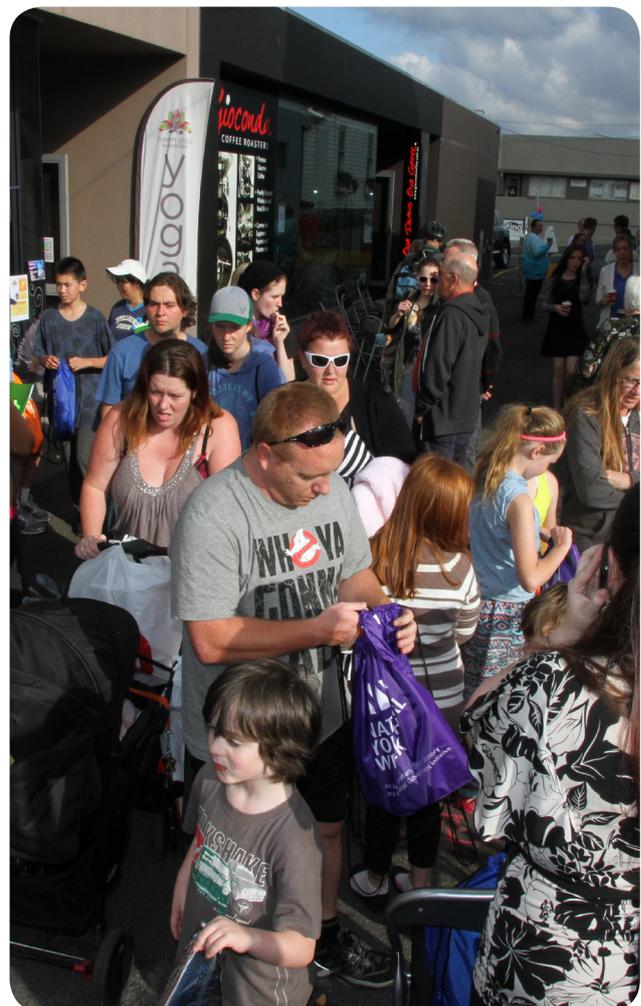
The Junction Hub Project was launched in December 2014 to deliver youth services across Devonport

Develop a Community Development Framework

Scoping of the Community Development Framework, reviewing existing policies and strategies is underway and this work will guide the development of the Framework

Work with schools to investigate youth leadership and development opportunities

School leaders participated in consultation for the development of the Community Safety Strategy. Investigation of partnership programs such as ruMad? ("Are you making a difference?") are under way. ruMad? benefits school students by engaging them in issues of social justice, the environment, tolerance and cultural diversity; challenging them to act as leaders and change-makers in their community. A youth engagement process to inform Council on a Youth Strategy has been designed, promoting youth leadership opportunities and development along with providing a conduit for youth learning and contribution to Council strategy





Establish an annual feedback process to measure Council volunteer satisfaction and identify issues and improvements for Council's Volunteer Management System

The Devonport Volunteer Satisfaction Survey has been completed with a series of recommendations developed for implementation

Review Council's policies and procedures following the 2014 elections

The majority of Council's policies and procedures have been reviewed during 2014/15

Review of Legislative Audit/Compliance Register

Register to be finalised in 2015/16

Develop a formal Aldermen Training Program

Documentation compiled and training provided to new Aldermen following the 2014 Local Government elections



Review Council's Aldermen induction process

Aldermen Training Program conducted following the 2014 Local Government elections. Follow up training identified and provided as required

Educate Aldermen about relevant records management obligations

Training is undertaken as and when required

Undertake a review of Council committees, due to a decrease in Aldermen numbers following the 2014 elections

Review finalised following 2014 Local Government elections

Review and implement an updated website, consolidating all current sites

The new website content input was completed. The website will be officially launched in August 2015

Develop a process for monitoring and reporting against service levels as outlined in the Customer Service Charter

Process has been developed and will be implemented during 2015/16

Maximise use of the reporting capability of the new telephone system

Current software has been utilised and reports have been extracted. In 2015/16 new software will build on the current reports

Review Complaint Handling process

Policy reviewed and process streamlined with new methods of reporting complaints which will see more detailed reporting in 2015/16



Implement improvement actions identified as part of Stage 2 of the Financial Services Review

Significant progress has been made implementing the recommendations from this follow up review. The outstanding improvement actions are currently in progress and are scheduled for completion in 2015/16

Undertake review of rating methodology in line with municipal wide revaluation

Rates modelling completed, and following review by Council, it was determined to continue using Assessed Annual Value as the basis for setting rates. A Fixed Charge component of the General Rate will be introduced for the first time in the 2015/16 financial year

Develop and drive a culture that champions positive health and safety attitudes to achieve a zero harm outcome

Staff survey results demonstrate a positive position for Health and Well-being and safety culture across the organisation. Primary focus is for staff to take ownership of the way incidents are reported, and the importance of corrective actions being taken and implemented. There is an improved performance in regards to consultation - with employees recognising that change can bring positive results when working together



Establish and improve identified health and safety targets to achieve a zero harm outcome

Increased reporting of near hits and hazards is providing a great opportunity for continuous improvement ideas to be implemented, assisting in the meeting of overall targets. Reporting levels are on par with last year with the emphasis changed to an increase in reporting and investigation of near hit incidents. Public reported incidents have reduced with some months having zero reporting

Develop and implement a system that delivers a consistent approach to Health and Safety documentation and supports a zero harm outcome

The development of standard Safe Operating Procedures and Safe Work Method Statements has allowed the Works Teams to be included in consultation processes, which has resulted in documentation meeting a high standard of compliance. The Safety Team is working with other local government bodies through a combined working group structure, allowing for consideration of standard terminology and document information, including joint training, as required. Documents continue to be reviewed and streamlined where possible. A generic Safe Work Method Statement (SWMS) document has been introduced into all works teams

Undertake an audit of insurance coverage to determine adequacy

Insurance audit has been completed and insurance portfolio reviewed. Recommendations will be implemented in the 2015/16 financial year



Assess and implement recommendations from the Municipal Association of Victoria (MAV) Annual Risk Service Review

MAV Risk Service Review recommendations for the financial year have been completed resulting from the risk review which focussed on road closures and events management

Implement an internal audit function

The implementation of an internal audit function has been deferred to the 2015/16 financial year. All options for delivering this service will be taken into consideration, including the opportunity to share resources with other Councils

Undertake a review of Council's Code for Tenders and Contracts and associated processes

New Code for Tenders adopted by Council at its October 2014 meeting

Review Employee Induction Program

The Employee Induction Program review is complete with recommendations endorsed by management and a new online induction program rolled out

Increase utilisation of self-service payroll features of Enterprise Suite

The utilisation of self-service in payroll has increased, with employees utilising the features and benefits. New Technology One software has recently become available and this new software will be progressively rolled out to staff in 2015/16

Engage a clearing house as a means to transact superannuation contributions and payments

Quick Super has been engaged to transact superannuation contributions and payments. Re-configurations have been made to the payroll system. Quadrant Super to finalise and ensure Council is fully SuperStream compliant by 31 October 2015

Review the Classification Structure in accordance with the Enterprise Agreement

The sub-committee of the Consultative Committee has now completed the review of the existing Classification Structure. Consultation occurred through the Consultative Committee, with recommendations presented to management for consideration

Replace the ageing core information technology server and storage infrastructure, following full investigation of alternatives including on premises and cloud based solutions

A server infrastructure refresh was completed in early 2015, following a detailed examination of alternative options

Investigate Contract Management Systems and software to support efficient and effective management of contracts and procurement

An electronic tendering system has been introduced. This new system has assisted in efficient and effective management of tenders and procurement

Section 3

Statutory Obligations





Statutory Obligations

Council is required to operate within the legislative framework established for local government in Tasmania. The *Local Government Act 1993* is the main legislative instrument which applies to Council and establishes operating and reporting requirements.

Section 61 of the *Act* requires Council to appoint a General Manager for a term not exceeding five years. Council's General Manager is Paul West, who was appointed to the position in 2014 for a contract term of five years.

The *Act* outlines the roles of the General Manager. In particular Sections 62 and 63 detail the functions and powers of the General Manager, which in essence are, to manage and direct the human and financial resources of the Council to achieve optimum use of the public monies and the most effective uses of the organisation's business assets and human resources. The General Manager is to ensure Council is provided with professional advice and support in its strategic and policy making roles.

Section 72 of the *Act* requires Council to prepare an Annual Report containing all of the following:

- a) a summary of the annual plan for the preceding year;
- ab) a statement of its goals and objectives in relation to public health for the preceding financial year;
- b) a statement of the council's activities and its performance in respect of goals and objectives set for the preceding financial year;
- c) the financial statements for the preceding year;
- ca) a statement of the activities and performance of the council in relation to any activity undertaken pursuant to Section 21 as compared with its objectives for the preceding financial year;
- cb) a statement of the total allowances and expenses paid to the mayor, deputy mayor and councillors;
- cc) a statement detailing the attendance of each councillor at meetings of the council and any council committee during the preceding financial year;
- cd) a statement in accordance with subsection 4 relating to the total annual remuneration paid to employees of the council who hold positions designated by the council as being senior positions;
- d) a copy of the audit opinion for the preceding financial year;
- da) a statement specifying details of any land donated by the council under Section 177, including the name of the recipient, the reasons for donation and the value of the land;
- e) any other prescribed matters.

The *Local Government Act 1993* can be accessed at www.thelaw.tas.gov.au.



Senior Officer Remuneration

Council is required to report on the total annual remuneration paid to employees who hold senior positions. For the purpose of this disclosure, all staff appointed to the Executive Leadership Team are included in the table below:

| Amount | 30 June 2015 |
|-----------------------|--------------|
| \$240,000 - \$260,000 | 1 * |
| \$220,000 - \$240,000 | - |
| \$200,000 - \$220,000 | - |
| \$180,000 - \$200,000 | 1 |
| \$160,000 - \$180,000 | - |
| \$140,000 - \$160,000 | 2 |
| \$120,000 - \$140,000 | - |
| \$80,000 - \$100,000 | 1 |
| Total | 5 |

* Cash component was \$217,000

Note: The remuneration includes cash salary, superannuation and private use of motor vehicles where applicable (valued at \$10,000)



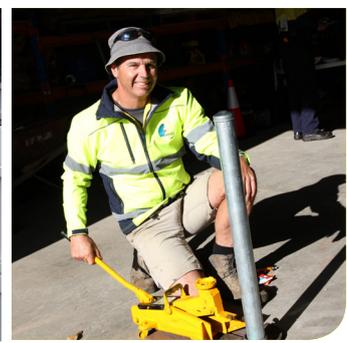


Tenders & Contracting

The *Local Government (General) Regulations 2005* at Section 23 (5) requires that Council is to report the following information 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 subregulation (1) (\$100,000), entered into or extended under subregulation (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 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.

| CONTRACT NUMBER & CONTRACTOR / SUPPLIER | DESCRIPTION OF CONTRACT | CONTRACT OR SUPPLY PERIOD | \$ VALUE (EXCL. GST) |
|---|---|-------------------------------|----------------------|
| Contract 1264 Classic Landscapes 843 Forth Road Forth TAS 7310 | Mersey Vale Memorial Garden Construction | Jul 14 | \$278,240 |
| Contract 1270 Fusion Electrical 10 Fenton Street Devonport TAS 7310 | DECC - HVAC Upgrade | Nov 14 | \$233,749 |
| Contract 1271 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | Kelcey Tier Road Safety Improvements Stage 3 | Nov 14/Mar 15 | \$232,761 |
| Contract 1272 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | River Road Widening Stage 2 | Aug 14 | \$82,802 |
| Contract 1273 Hardings Hotmix Pty Ltd PO Box 709 Ulverstone TAS 7315 | Supply Delivery and Placement of Sprayed Bituminous Surfacing | Aug 14 | \$232,563 |
| Contract 1274 Roadways Pty Ltd 3 Ormsby Street Burnie TAS 7320 | Supply, delivery and placement of Hotmix Asphalt | Aug 14 | \$236,683 |
| Contract 1275 TMA Tech Pty Ltd 4-6 Straits Ave, Granville NSW 2142 | PAYL Conversion - Best Street Car Park | Sep 14 | \$111,750 |
| Contract 1276 Veolia Environmental Services (Aust) Pty Ltd 75 Mornington Rd Mornington TAS 7018 | Waste Transport - Spreyton WTS to Dulverton | Nov 14/Nov 16 with 1+1 option | Schedule of Rates |
| Contract 1277 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | Stony Rise Road - Middle Road intersection new | Oct 14/Jun 15 | \$758,771 |
| Contract 1278 CBB Contracting 5B East Cam Road Camdale TAS 7320 | Mersey Vale Burial System - Design & Construct | Nov 14/Aug 15 (TBC) | \$987,910 |



| CONTRACT NUMBER & CONTRACTOR / SUPPLIER | DESCRIPTION OF CONTRACT | CONTRACT OR SUPPLY PERIOD | \$ VALUE (EXCL. GST) |
|---|--|--|-------------------------------------|
| Contract 1279 Hardings Hotmix Pty Ltd PO Box 709 Ulverstone TAS 7315 | William Street Reconstruction Tasman to Charles Street | Nov 14/Feb 15 | \$338,959 |
| Contract 1280 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | William Street Fourways Reconstruction | Feb 15/Mar 15 | \$247,467 |
| Contract 1281 Hardings Hotmix Pty Ltd PO Box 709 Ulverstone TAS 7315 | Torquay Road Reconstruction | Feb 15/Apr 15 | \$292,581 |
| Contract 1282 Lazaro Pty Ltd PO Box 5133 Launceston TAS 7250 | Cleaning of Council Facilities and Recreation Centre | Mar 17 with 1+1 option | \$265,481 |
| Contract 1284 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | Thomas Street Base correction | Practical Completion March 2015 | \$125,618 |
| Contract 1285 Kentish Construction & Engineering Co. Pty Ltd PO Box 21 Sheffield TAS 7306 | Don Road - Hillcrest Road Intersection Reconstruction | Mar 15/ May 15 | \$243,145 |
| Contract 1286 Mareeba Trust 468 Raymond Road Gunns Plains TAS 7315 | Roadside Mowing | Jul 15 / June 16 with option 1+1 | \$45,120 per annum |
| Contract 1287 Steeds Weed Solutions 96 Ashbolt Crescent Lutana TAS 7009 | Weed Control | Jul 15 / June 16 with option 1+1 | \$65,664 per annum |
| Contract 1288 JRB Protection P/L 12 Mersey Road Spreyton TAS 7310 | Security Patrol & Associated Services | Jul 15 / June 16 with option 1+1 | \$25,550 per annum |
| Projects & Infrastructure Holdings Pty Ltd Level 1 151 Macquarie Street Sydney NSW 2000 | LIVING CITY Development Management Agreement | Aug 14 | \$498,545 (to date under DMA) |
| Lyons Architects Level 3 246 Bourke Street Melbourne VIC 3000 | LIVING CITY Stage 1 Architectural Services phases 1 & 2 | Mar 15 | \$306,488 |
| Aurecon Level 8 850 Collins Street Docklands VIC 3008 | LIVING CITY Stage 1 - Structural, ESD & Facade engineering | May 15 | \$147,900 |
| AECOM Level 9 8 Exhibition Street Melbourne VIC 3000 | LIVING CITY Stage 1 - Building Services | May 15 | \$476,500 |



Public Health Statement

Section 72(1)(ab) of the *Local Government Act 1993* requires a statement of the Council's goals and objectives in relation to public health activities to be included in the Annual Report.

Council's Environmental Health Department comprises of a Planning & Environmental Health Coordinator; 1 Senior Environmental Health Officer; 1 Environmental Health Officer; Animal Control Officer; Utilities Officer; Administration Officer (2 days per week) and back up and on-call provision from an external contractor. Resources were also complemented by two contracted registered Immunisation Nurses.

The Public Health and Environmental Management programs address a range of functions under the *Local Government Act 1993*, *Public Health Act 1997*, *Food Act 2003*, *Burial & Cremation Act 2002*, *Litter Act 2007*, *Environmental Management & Pollution Control Act 1994* and numerous By-laws.

These functions include:

- Food Safety
- Disease Prevention and Control
- Public Health Education and Promotion
- Places of Assembly
- Public Health Risk Activities
- Immunisations
- Animal control
- Exhumations
- On-Site Waste Disposal Systems
- Unhealthy Premises
- Cooling Towers and Warm Water Systems
- Recreational and Bathing Water Quality
- Public Health Nuisances
- Air, Water and Solid Pollution
- Public Health Emergency Management
- Street Trading
- Fire Hazard Abatement

Key Environmental Health outcomes for 2014/15 include its contribution to the Tasmanian Food Safety Surveillance Program for 2014-15 (a voluntary programs run by State Health in which Councils undertake multiple food safety assessments for a wide range of food premises, i.e. hand washing at food premises, hand washing at food stalls, skills and knowledge of food businesses); Conducting Childhood Immunisation Sessions (21 Sessions held, 1,946 immunisations administered); 16 Safe Food Handling Sessions; issued 90 Place of Assembly Licences; and 2334 Food Premises Licences.

Public Interest Disclosures Statement

Council is committed to the aims and objectives of the *Public Interest Disclosures Act 2002*. Council also recognises the value of transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment. Council's Public Interest Disclosures document is available on the website. There were no disclosures raised during the year.

Complaints

Fourteen written complaints (in accordance with the definition contained within Council's Customer Service Charter) were received during the year. All complaints were acknowledged and resolved in accordance with Council policy. Eleven complaints related to a failure to adhere to our service standards; one complaint was in relation to a Council decision; and two complaints related to staff behaviour.

Land Donations

Council has not donated any land under Section 177 of the *Local Government Act 1993*.



Community Grants & Events Sponsorship

Community Small Grants Recipients 2014/15

| Organisation | Description | Amount Funded (\$) |
|--------------------------------------|--|--------------------|
| East Devonport Child & Family Centre | Facilitated two cooking sessions during Devonport Food & Wine Festival - 'Fine Budget Cooking' and 'Healthy Lunch boxes' | \$ 1,018 |
| Devonport Lapidary Club | Purchase of safety equipment. Provided essential silver-smithing equipment and tuition sessions | \$ 750 |
| Don River Railway | Construction of new storage facility for the secure storage of archives and records | \$ 1,500 |
| Delta Society Australia | Purchase of Projector and screen to support delivery of Delta Therapy Dogs Program & Classroom Canine Program | \$ 350 |
| East Devonport Community House | Provision of 'Kiddie Care for Studying Mums' - childcare for parents to studying Certificate III in Community Services | \$ 2,565 |
| Mission Australia | Delivery of workshop consisting of 5 x 2 1/2 hour sessions in Mindful Awareness Parenting | \$ 1,050 |
| Australian Red Cross Society | Delivery of ten Save-a-Mate and Talk OUT Loud Workshops with young people | \$ 2,000 |
| Choose Life Services | Delivery of Men's Health Forum | \$ 900 |
| Environment Tasmania | Delivery of Marine Discovery Event | \$ 3,000 |
| Eastern Shore Community House | Delivery of improvements to the East Devonport Community House's Community Garden | \$ 2,000 |
| Eastern Shore Community House | Kommunity Kids catering & sporting events | \$ 200 |
| Devonport Surf Life Saving Club | Delivery of surf life saving services | \$ 1,818 |
| Department of Education | Children's Week Celebrations | \$ 150 |



Economic Development and Event Sponsorship Recipients 2014/15

| Organisation | Description | Amount Funded (\$) |
|--|---|--------------------|
| Tasmanian Regional Arts | Renew Devonport Project | \$ 20,000 |
| Devonport Athletic Club - 'Christmas Carnival' | Holding of the Devonport Athletic Club Christmas Carnival | \$ 4,000 |
| Latrobe Speedway - '2014 Australian Freestyle Moto Cross Championship & Bike Show' | Hosting of 2014 Australian Freestyle Moto Cross Championship & Bike Show | \$ 5,000 |
| PGA - 'Tasmanian Senior Open' | Hosting of the Tasmanian Senior Open golf event | \$ 2,000 |
| Devonport Eisteddfod Society Inc - 'City of Devonport Eisteddfod 2015' | Hosting of 2015 City of Devonport Eisteddfod | \$ 16,500 |
| Mersey Valley Devonport Cycling Club - 'Mersey Valley Women's National Road Series & U/19 Selection Races' | Hosting of round of Cycling Australia's Women's National Road Series and U/19 World Championship Selection races for U/19 men and women | \$ 1,500 |
| Devonport Surf Life Saving Club - 'Devonport Pub to Club' | Delivery of Pub to Club 2km open water swim | \$ 1,000 |
| Lions Club of City of Devonport - 'Brixhibition' | Hosting of Brixhibition Lego community event | \$ 1,500 |
| Cycling Australia - 'Tour of Tasmania' | Hosted section of Tour of Tasmania - six day cycling event | \$ 10,000 |
| Cradle Coast Sports & Events Pty Ltd - 'Devonport Triathlon' | Hosting of Devonport Triathlon | \$ 15,000 |
| Cradle Coast Sports & Events Pty Ltd - 'Run Devonport' | Hosting of Run Devonport 'fun run' event | \$ 2,000 |

Small Sporting Grants

| Organisation | Description | Amount Funded (\$) |
|--|--|--------------------|
| Cradle Coast Triathlon & Multisport Inc | Replacement Stolen equipment | \$ 2,000 |
| Devonport Bowls & Croquet Club Inc | Indoor Bowls & Croquet equipment | \$ 1,227 |
| Devonport Judo Club | Crash Mat | \$ 500 |
| Devonport Tennis Club | Replacement of Umpire Chairs and Court seating | \$ 1,500 |
| Devonport Little Athletics Centre | PA System | \$ 2,500 |
| East Devonport Football Club Inc | Project Defibrillator | \$ 1,000 |
| Cradle Coast Aquatic Club | Equipment Storage Trolley | \$ 1,134 |
| North West Regional Volunteer Firefighters | North West Regional Competition | \$ 100 |



Community Partnership Agreements 2014/15

| Organisation | Description | Amount Funded (\$) |
|--|---|---------------------|
| Devonport Carols by Candlelight | Contribution towards holding the event | \$ 3,000 |
| Devonport Choral Society | Contribution towards major production | \$ 5,000 |
| Devonport Brass Band | Contribution towards the development of activities and membership | \$ 10,000 |
| Devonport Community House | Contribution towards the operation of the Devonport Community Gardens, Men's Shed and The Playhouse | \$ 25,000 |
| Kommunity Kids/Eastern Shore Community House | Contribution towards holding the annual Christmas event - 'Christmas in the East' | \$ 2,500 |
| National Trust of Australia | Contribution towards the operational costs of Home Hill | \$ 28,000 |
| Pandemonium Tas Pty Ltd | Contribution towards the operation of the Imaginarium Science Centre | \$ 30,000 |
| Tasmanian Arboretum | Contribution towards site development and maintenance, promotion and events | \$ 33,000 |
| Youth, Family and Community Connections Inc | Subsidised rent for the property at 64 Stewart Street for the delivery of services to support young people and their families | \$ 20,000 (in kind) |
| Mersey SES | Operating costs | \$ 18,216 |

One Off Community Grants

| Organisation | Description | Amount Funded (\$) |
|--------------|-------------------|--------------------|
| Mersey SES | Emergency vehicle | \$ 4,750 |

In Kind Support

| Organisation | Description | Amount Funded (\$) |
|--|--|--------------------|
| Devonport Chamber of Commerce & Industry | Event assistance | In kind support |
| Lions Club of Devonport | Staffing and design work for Taste the Harvest | In kind support |
| Targa | Rooke Street Car Park (usage for event) | In kind support |



Summary of Grants and Benefits 2014/15

| Purpose | Amount (\$) |
|--|-------------------|
| Higher Valued Properties - single residential dwellings remission | \$ 218,010 |
| Economic Development Incentive Rate Remissions | \$ 33,563 |
| Not-For-Profit/Community Organisations Rate Remissions | \$ 31,724 |
| Not-For-Profit/Sporting Organisations Operational Remissions | \$ 6,740 |
| Housing Tasmania - Incentive for full payment of rates prior to 31/08/2014 | \$ 6,307 |
| Community Small Grants | \$ 17,301 |
| Small Sporting Grants | \$ 9,961 |
| Economic Development & Events Sponsorship | \$ 78,500 |
| Community Partnership Agreements | \$ 174,716 |
| One off Community Grants | \$ 4,750 |
| Donations to individuals/organisations | \$ 740 |
| Sporting Travel Assistance Grants | \$ 2,000 |
| Transfer Station Fees | \$ 2,005 |
| TOTAL | \$ 586,317 |



Independent Auditor's Report

To the Aldermen of Devonport City Council

Financial Report for the Year Ended 30 June 2015

Report on the Financial Report

I have audited the accompanying financial report of Devonport City Council (Council), which comprises the statement of financial position as at 30 June 2015 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2015 and financial performance, cash flows and changes in equity for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

The Responsibility 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 Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

...1 of 2

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the General Manager's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial report.

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

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information or the asset renewal funding ratio in Council's financial report.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
28 August 2015

...2 of 2

DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Profit or Loss and Other Comprehensive Income

| | Note | Budget 2015 \$'000 | Actual 2015 \$'000 | Actual 2014 \$'000 |
|---|------|--------------------------|--------------------------|--------------------------|
| Income from continuing operations | | | | |
| Recurrent income | | | | |
| Rates and service charges | 3 | 26,228 | 26,351 | 26,084 |
| Fees and charges | 4 | 5,474 | 5,569 | 5,120 |
| Grants | 5 | 2,198 | 3,281 | 1,262 |
| Contributions - cash | 6 | 52 | 57 | 34 |
| Investment revenue from TasWater | 7 | 1,534 | 1,743 | 1,715 |
| Other investment revenue | 8 | 564 | 891 | 673 |
| Other income | 9 | 913 | 1,307 | 908 |
| Total recurrent income | | 36,963 | 39,199 | 35,796 |
| Capital income | | | | |
| Capital grants received specifically for new or upgraded assets | 5 | 1,912 | 2,134 | 5,414 |
| Contributions - non-monetary assets | 6 | 300 | 3,463 | 1,815 |
| Share of profit of associates accounted for by the equity method | 20 | 300 | 411 | 393 |
| Net loss on the disposal of property, infrastructure, plant and equipment | 15 | (1,591) | (1,904) | (4,076) |
| Total capital income | | 921 | 4,104 | 3,546 |
| Total income from continuing operations | | 37,884 | 43,303 | 39,342 |
| Expenses from continuing operations | | | | |
| Employee benefits | 10 | 12,110 | 11,585 | 12,035 |
| Materials and services | 11 | 13,576 | 12,797 | 12,567 |
| Depreciation | 12 | 8,865 | 8,702 | 8,910 |
| Finance costs | 13 | 1,255 | 1,211 | 1,104 |
| Other expenses | 14 | 1,157 | 1,202 | 1,166 |
| Total expenses from continuing operations | | 36,963 | 35,497 | 35,782 |
| Operating result from continuing operations | | 921 | 7,806 | 3,560 |
| Net operating result for the year | | 921 | 7,806 | 3,560 |
| Other comprehensive income | | | | |
| Items that may be reclassified to surplus / (deficit) | | | | |
| Fair Value adjustment on Available for Sale Assets | 19 | 0 | 671 | 5,686 |
| Items that will not be reclassified to surplus / (deficit) | | | | |
| Net asset revaluation increment / (decrement) - Council | 26 | 0 | 37,846 | (4,956) |
| Net asset revaluation increment / (decrement) - Associates | 20 | 0 | 357 | 51 |
| Total other comprehensive income | | 0 | 38,874 | 781 |
| Total comprehensive result | | 921 | 46,680 | 4,341 |

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

DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Financial Position as at 30 June 2015

| | Note | 2015 \$'000 | 2014 \$'000 |
|--|------|----------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 16 | 18,658 | 10,312 |
| Receivables | 17 | 1,116 | 967 |
| Prepayments | 18 | 93 | 91 |
| Total current assets | | 19,867 | 11,370 |
| Non-Current Assets | | | |
| Receivables | 17 | 0 | 74 |
| Investment in TasWater | 19 | 84,231 | 83,560 |
| Investments in associates | 20 | 3,849 | 3,081 |
| Property, plant and equipment | 21 | 414,929 | 375,714 |
| Capital work in progress | 22 | 2,679 | 3,882 |
| Total non-current assets | | 505,688 | 466,311 |
| TOTAL ASSETS | | 525,555 | 477,681 |
| Current Liabilities | | | |
| Payables | 23 | 2,537 | 2,808 |
| Interest bearing liabilities | 24 | 985 | 928 |
| Provisions | 25 | 2,078 | 2,112 |
| Total current liabilities | | 5,600 | 5,848 |
| Non-Current Liabilities | | | |
| Interest bearing liabilities | 24 | 20,507 | 19,092 |
| Provisions | 25 | 525 | 498 |
| Total non-current liabilities | | 21,032 | 19,590 |
| TOTAL LIABILITIES | | 26,632 | 25,438 |
| NET ASSETS | | 498,923 | 452,243 |
| Equity | | | |
| Asset revaluation reserve - Council | 26 | 295,401 | 257,555 |
| Asset revaluation reserve - Associates | 26 | 1,415 | 1,058 |
| Other reserves | 27 | 7,833 | 7,162 |
| Accumulated surplus | 26 | 194,274 | 186,468 |
| TOTAL EQUITY | | 498,923 | 452,243 |

DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Changes in Equity

| 2015 | | Asset Revaluation Reserve - Council Note 26 (i) \$'000 | Asset Revaluation Reserve - Associate Note 26 (ii) \$'000 | Accumulated Surplus Note 26 (iii) \$'000 | Other Reserves Note 27 \$'000 | Total \$'000 |
|------------------------------|--|--|---|--|-------------------------------|--------------|
| Balance at beginning of year | | 257,555 | 1,058 | 186,468 | 7,162 | 452,243 |
| Surplus / (deficit) | | 0 | 0 | 7,806 | 0 | 7,806 |
| Other comprehensive income | | 37,846 | 357 | 0 | 671 | 38,874 |
| Transfers between reserves | | 0 | 0 | 0 | 0 | 0 |
| Balance at end of year | | 295,401 | 1,415 | 194,274 | 7,833 | 498,923 |
| 2014 | | Asset Revaluation Reserve - Council Note 26 (i) \$'000 | Asset Revaluation Reserve - Associate Note 26 (ii) \$'000 | Accumulated Surplus Note 26 (iii) \$'000 | Other Reserves Note 27 \$'000 | Total \$'000 |
| Balance at beginning of year | | 262,511 | 1,007 | 182,908 | 1,476 | 447,902 |
| Surplus / (deficit) | | 0 | 0 | 3,560 | 0 | 3,560 |
| Other comprehensive income | | (4,956) | 51 | 0 | 5,686 | 781 |
| Transfers between reserves | | 0 | 0 | 0 | 0 | 0 |
| Balance at end of year | | 257,555 | 1,058 | 186,468 | 7,162 | 452,243 |

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 2015

Statement of Cash Flows

| | Note | 2015 \$'000 | 2014 \$'000 |
|---|------|----------------|-----------------|
| Cash flows from operating activities : | | | |
| Rates and other user charges | | 31,492 | 31,126 |
| Refunds from Australian Taxation Office for GST | | 1,163 | 2,267 |
| Interest | | 576 | 486 |
| Contributions | | 57 | 34 |
| Government grants and subsidies | | 3,281 | 1,262 |
| Investment revenue from TasWater | | 1,638 | 1,731 |
| Other receipts | | 1,307 | 828 |
| Payments to suppliers and employees | | (26,344) | (27,225) |
| Finance Costs | | (1,132) | (1,028) |
| Other payments | | (913) | (933) |
| Net cash flows provided by operating activities | 32 | 11,125 | 8,548 |
| Cash flows from investing activities : | | | |
| Proceeds from sale of non current assets | | 234 | 308 |
| Payments for non current assets | | (6,989) | (19,029) |
| Capital grants | | 2,134 | 5,414 |
| Other investments | | 296 | 193 |
| Loans to community organisations | | 0 | (200) |
| Repayment of loans from community organisations | | 74 | 117 |
| Net cash used in investing activities | | (4,251) | (13,197) |
| Cash Flows from financing activities : | | | |
| Proceeds from borrowings | | 2,400 | 2,000 |
| Repayment of borrowings | | (928) | (1,165) |
| Net cash provided by financing activities | | 1,472 | 835 |
| Net increase / (decrease) in cash and cash equivalents | | 8,346 | (3,814) |
| Cash and cash equivalents at beginning of the financial year | | 10,312 | 14,126 |
| Cash and cash equivalents at end of the financial year | 16 | 18,658 | 10,312 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

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 44-48 Best 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.

These financial statements are a general purpose financial report that consists of the Statement of Profit and Loss and Other 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, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993 (LGA1993) (as amended)*.

1 Statement of accounting policies

(a) Basis of accounting

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 in notes 1(f), 1(i), 1(j), 1(m), 1(n) & 1(t)

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. Details of entities not included in this financial report based on their materiality are detailed in note 37.

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 1(m).

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 28.

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(f) and Note 21.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 1(i) and in Note 19.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

(b) Adoption of new and amended accounting standards

- (i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and the relevant amending standards, AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control Structured Entities, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards, AASB 1012-10 Amendments to Australian Accounting Standards - Transition Guidance and other amendments (effective 1 July 2014).

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and interpretation *12 Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council has undertaken an assessment and no material changes to the composition of Council's accounts are anticipated from the application of the new standard.

AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations. Council has determined that it does not hold any investment that would be classified as a joint venture or joint operations and therefore this standard is not applicable at 30 June 2015

AASB 12 sets out the required disclosures for entities reporting under the two new standards, *AASB 10* and *AASB 11*, and replaces the disclosure requirements currently found in *AASB 127* and *AASB 128*. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-For-Profit Entities - Control Structured Entities adds guidance to *AASB 10* regarding criteria for determining whether one entity controls another entity from the perspective of not-for-profit entities.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards gives effect to many consequential changes to a number of standards arising from the issuance of the new consolidation and joint arrangement standard.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

AASB 1012-10 Amendments to Australian Accounting Standards - Transition Guidance and other amendments provides guidance on amendments to AASB10, AASB 11 and AASB 12 to simplify transition to the suite of consolidation standards. Also, it provides guidance on the additional amendments to AASB 10 and related standards to revise their application paragraphs, so that they apply mandatorily to not-for-profit entities.

- (ii) *AASB 2012-3 Amendments to Australian Account Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]* (effective 1 July 2014)

This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of Council.

- (iii) *AASB 1031 Materiality* (effective from 1 July 2014)

The objective of this standard is to make cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards) that contain guidance on materiality.

- (iv) *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

This standard amends the disclosure requirements of AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of this standard will not impact Council's accounting policies but may result in changes to information disclosed in the financial statements.

- (v) *AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* (Part A - Conceptual Framework effective from 20 December 2013; Part B - Materiality effective from 1 July 2014; Part C - Financial Instruments effective from 1 January 2015)

Part A of this standard updates references to the Framework for the Preparation and Presentation of Financial Statements in other standards as a consequence of the issue of AASB CF 2013-1 in December 2013.

Part B of this standard deletes references to AASB 1031 Materiality in various other standards. Once all references of AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn.

Part C of this standard amends AASB 9 *Financial Instruments* to add Chapter 6 Hedge Accounting and makes consequential amendments to AASB 9 and numerous other standards. Part C also amends the effective date of AASB 9 to annual reporting periods beginning on or after 1 January 2017, instead of 1 January 2015.

The adoption of this standard will not impact Council's accounting policies.

- (vi) Interpretation 21 Levies

This Interpretation provides clarity that a liability to pay government imposed levies, other than income taxes, is deferred until thresholds are exceeded.

The adoption of this standard will not impact Council's accounting policies.

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

(c) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2018)

AASB 9 is one of a series of amendments that are expected to replace AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of the standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost.

Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

Fair value is to be used for all other financial assets. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or an irrecoverable election has been made to present in other comprehensive income changes in the fair value of an equity instrument not held for trading.

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 fair value gains and losses on available-for-sale assets will have to be recognised directly in profit or loss. Had this requirement been adopted at 30 June 2015, the fair value gain on Council's investment in TasWater of \$670,886 would have increased Council's surplus accordingly.

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

(ii) AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations* (effective from 1 January 2016)

Under AASB 2014-3 business combination accounting is required to be applied to acquisitions of interests in a joint operation that meets the definition of a 'business' under AASB 3 *Business Combinations*.

(iii) AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from 1 January 2016)

This amendment introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. In addition to this, there is limited opportunity for presumption to be overcome and clarifies that revenue-based depreciation for property, plant and equipment cannot be used.

(iv) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* (effective from 1 January 2016)

The amendments to AASB 101 do not require any significant change to current practice, but should facilitate improved reporting, including emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

Pending Accounting Standards (continued)

- (vi) *AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* (effective from 1 January 2016)

The amendments extend the scope to AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities.

- (vii) *AASB 15 Revenue from Contracts with Customers, and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2017)

Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will apply to contracts of not-for-profit entities that are exchange contracts. AASB 1004 *Contributions* will continue to apply to non-exchange transactions until the Income from Transactions of Not-for-Profit Entities project is completed.

(d) Revenue recognition

- (i) *Rates, grants, donations and other contributions*

Rates, grants and contributions (including developer contributions) are recognised as revenues 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.

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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 5. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

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

- (ii) *Non-monetary contributions*

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

- (iii) *User fees and Statutory 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 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.

- (iv) *Sale of property, plant and equipment, infrastructure*

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

(d) Revenue recognition (continued)

(vi) *Rent*

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.

(vii) *Interest*

Interest is recognised progressively as it is earned.

(viii) *Dividends*

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

(ix) *Operating leases as lessor*

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

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

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

Where leases are commercial agreements, and properties leased are predominately used for leasing to third parties, Council records lease revenue on an accruals basis. As stated in Note 1 (f) (i), property purchased as part of the LIVING CITY project is accounted for as land and buildings under AASB 116 *Property, Plant and Equipment* and not AASB 140 *Investment Properties*. Buildings are recognised at fair value. These leases may include incentives which have not been recognised in the Statement of Financial Position, on the basis the amounts are unlikely to be material and could not be reliably measured at balance date.

(e) Expense recognition

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.

(i) *Employee benefits*

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

(ii) *Depreciation and amortisation of property, plant and equipment, infrastructure and intangibles*

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis 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 |
| Other Infrastructure | Straight line | 10 - 150 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 2015

1 Statement of accounting policies (continued)

(iii) *Repairs and maintenance*

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.

(iv) *Borrowing Costs*

Finance costs are expensed as incurred using the effective interest method. Borrowing costs include interest on bank overdrafts and interest on borrowings.

(f) Recognition and measurement of assets

(i) *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 CIY project have been accounted for under AASB 116 *Property, Plant and Equipment* and not AASB 140 *Investment Properties*. 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.

The following classes of assets have been recognised in Note 21. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

| | <u>Threshold</u> |
|------------------------|------------------|
| Land | NA |
| Parks and Open Space | 2,000 |
| Buildings | 5,000 |
| Plant | 1,000 |
| Furniture and Fittings | 1,000 |
| Cultural and Heritage | NA |
| Infrastructure assets | |
| - Roads | 5,000 |
| - Stormwater | 2,000 |
| - Other Infrastructure | 2,000 |

(ii) *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 |
| Other Infrastructure | 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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

(f) 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 35, Financial Instruments.

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.

(iii) *Land under roads*

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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.

(i) Investment in water corporation

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2015, Council held a 5.44% ownership interest in TasWater which is based on schedule 2 of the Corporation's Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Fair Value Investment Reserve each year. (Refer note 40)

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 has derived returns from the water corporation as disclosed at Note 7.

(j) Investments

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

(k) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operations of the 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 2015

1 Statement of accounting policies (continued)

(l) Tender deposits and contract retention amounts

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to Note 31).

(m) Employee benefits

(i) Short term 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 oncosts 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.

(ii) Other long term employee benefit obligations

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

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

(iii) Sick leave

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

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e., as an expense when it becomes payable.

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. 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 32(b) of AASB 119 *Employee Benefits*, Council does not use defined benefit accounting for these contributions.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

(n) Interest bearing liabilities

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

(o) 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.

(p) Taxation

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

Goods and Services Tax (GST)

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

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

(q) Impairment of assets

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

(r) Rounding

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

(s) Significant business activities

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. The Council's disclosure is reconciled in Note 36. The Council has determined, based upon materiality that the provision of Stormwater, Roads and Parking assets and services as defined in Note 36 are considered significant business activities.

Competitive neutrality costs include notional costs, i.e. Income tax equivalence, rates and loan guarantees in preparing the information disclosed in relation to the significant business activities i.e. the following assumptions have been applied:

- the opportunity cost of capital is calculated at 2.5% of assets; and
- income tax equivalents are calculated using the company tax rate of 30% on calculated surplus.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

1 Statement of accounting policies (continued)

(t) Leases

(i) *Operating leases as lessee*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

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

(u) Components of community equity

(i) **Asset revaluation reserve**

The Asset Revaluation Reserve is comprised of adjustments relating to changes in value of items which arise primarily from changes in the purchasing power of money.

(ii) **Other reserves**

These represent wealth which has been accumulated within the Council to meet specific anticipated future needs. As at 30 June 2015 the only reserve held by Council is the Fair Value Investment Reserve which represents changes in the underlying value of Council's investment in TasWater.

(iii) **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.

(v) **Contingent assets and contingent liabilities and commitments**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively, as detailed in Note 30.

Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed in Note 29 at their nominal value and inclusive of the GST payable.

(w) **Budget**

The budgeted revenue and expense amounts in the Statement of Profit or Loss and Other Comprehensive Income represent original budget amounts adopted on 22 June 2015 and are not audited.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

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 | | | |
| | 2015 \$'000 | 2015 \$'000 | 2015 \$'000 | 2015 \$'000 | 2015 \$'000 |
| Corporate | 3,053 | 26,358 | 5,910 | 23,501 | 101,393 |
| Community, Cultural & Recreation | 521 | 1,246 | 7,725 | (5,958) | 4,193 |
| Parking | 0 | 2,701 | 1,516 | 1,185 | 8,972 |
| Economic Development | 0 | 843 | 1,084 | (241) | 11,345 |
| Roads | 1,841 | 2,742 | 8,594 | (4,011) | 123,180 |
| Stormwater | 0 | 336 | 1,809 | (1,473) | 64,643 |
| Waste Management | 0 | 3,959 | 3,929 | 30 | |
| Parks & Gardens | 0 | 270 | 4,554 | (4,284) | 151,394 |
| Buildings | 0 | 311 | 572 | (261) | 38,615 |
| Infrastructure Administration | 0 | 211 | (29) | 240 | 21,721 |
| Regulatory Services | 0 | 815 | 1,737 | (922) | 99 |
| TOTAL | 5,415 | 39,792 | 37,401 | 7,806 | 525,555 |

Prior Year

| Programs | Revenue | | Expenses | Surplus/(deficit) for Year | Assets |
|----------------------------------|----------------|----------------|----------------|-------------------------------|----------------|
| | Grants | Other | | | |
| | 2014 \$'000 | 2014 \$'000 | 2014 \$'000 | 2014 \$'000 | 2014 \$'000 |
| Corporate | 1,096 | 26,394 | 7,417 | 20,073 | 91,547 |
| Community, Cultural & Recreation | 4,086 | 1,042 | 7,678 | (2,550) | 3,955 |
| Parking | 0 | 2,505 | 1,540 | 965 | 8,972 |
| Economic Development | 0 | 0 | 0 | 0 | 0 |
| Roads | 1,377 | 1,056 | 8,006 | (5,573) | 122,751 |
| Stormwater | 0 | 704 | 2,131 | (1,427) | 63,744 |
| Waste Management | 0 | 3,947 | 4,080 | (133) | |
| Parks & Gardens | 0 | 281 | 6,383 | (6,102) | 119,500 |
| Buildings | 109 | 0 | 733 | (624) | 45,310 |
| Infrastructure Administration | 8 | 148 | 48 | 108 | 21,802 |
| Regulatory Services | 0 | 665 | 1,842 | (1,177) | 100 |
| TOTAL | 6,676 | 36,742 | 39,858 | 3,560 | 477,681 |

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

| | 2015 \$'000 | 2014 \$'000 |
|--------------------|----------------|----------------|
| Current assets | 19,867 | 11,370 |
| Non-current assets | 505,688 | 466,311 |
| | 525,555 | 477,681 |

On July 1 2014 Council's reporting structure was amended to reflect the new organisational structure. The 2014 comparatives have been restated to align to the new reporting structure.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

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
Administration of Council
Elected Members Support
Corporate Risk Management
Human Resource Management
Information Technology
Payroll Services
Accounting & Finance
Corporate Revenue
Customer Services

COMMUNITY, CULTURAL AND RECREATION

This Program includes the following activities

Community Financial Assistance
Devonport Regional Gallery
The Imaginarium
Devonport Aquatic Centre
Devonport Recreation Centre
East Devonport Recreation Centre
Devonport Entertainment & Convention Centre
Visitor Information Centre
Marketing Devonport
Bass Strait Maritime Centre
Home Hill
Tiagarra

ECONOMIC DEVELOPMENT

This Program includes the following activities

Living City Project
General 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

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

3 Rates and service charges

Council uses Assessed Annual Value as the basis of valuation, for rating purposes, of all properties within the municipal area. An assessed annual valuation is an assessment of the rental value of a property 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*. It is the gross annual income that, at the time of valuation, the owner of the property might reasonably expect to obtain from letting it to a tenant. The assessed annual value of the land cannot be less than 4% of the capital value of the land.

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| General rates | 20,512 | 20,353 |
| Penalty income from overdue rates and charges | 114 | 128 |
| Waste management rates & charges | 3,422 | 3,402 |
| Fire Service Levy | 2,303 | 2,201 |
| | <u>26,351</u> | <u>26,084</u> |
| Total rates and service charges | <u>26,351</u> | <u>26,084</u> |

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

4 Fees and charges

| | | |
|-------------------------------|--------------|--------------|
| Admission charges | 232 | 237 |
| Animal registrations | 96 | 78 |
| Cemetery fees | 187 | 215 |
| Certificate charges | 161 | 149 |
| Development fees | 388 | 318 |
| Equipment hire fees | 9 | 14 |
| Facility hire | 225 | 244 |
| Fines | 873 | 701 |
| Licences | 70 | 71 |
| Parking fees | 1,502 | 1,508 |
| Property leases & rental | 1,133 | 848 |
| Sales of goods | 229 | 275 |
| Waste management fees | 464 | 462 |
| | <u>5,569</u> | <u>5,120</u> |
| Total fees and charges | <u>5,569</u> | <u>5,120</u> |

Aging analysis of contractual receivables

Refer to Note 35e for the aging analysis of contractual receivables.

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| 5 Grants | | |
| Grants - Recurrent | | |
| Commonwealth Government Financial Assistance Grants - General Purpose | 1,123 | 432 |
| Commonwealth Government Financial Assistance Grants - Roads | 1,843 | 598 |
| Arts | 63 | 69 |
| Community projects | 154 | 63 |
| Roads | 87 | 66 |
| Youth activities | 3 | 4 |
| Energy Efficiencies | 8 | 30 |
| | <u>3,281</u> | <u>1,262</u> |
| Total recurrent grants | <u>3,281</u> | <u>1,262</u> |

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. On 29 June 2015 the Australian Government announced it would prepay two instalments of the 2015/16 grant pool in 2014/15. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The effect of the early receipt of instalments has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2014/15 by \$981,251 .

In 2012-13 the Commonwealth prepaid two quarterly instalments for the following year. In the 2014-15 budget, the Commonwealth announced it would discontinue the approach of prepaying instalments. As a consequence there was no prepayment in 2013-14. This has impacted on the Statement of Profit or Loss and Other Comprehensive Income with the early receipt of 2013-14 instalments resulting in the surplus being lower in 2013-14 by \$998,712.

Capital grants received specifically for new or upgraded assets

| | | |
|-------------------------------------|--------------|--------------|
| Roads to recovery | 374 | 331 |
| Black Spot Program | 140 | 797 |
| Community projects | 127 | 100 |
| State Government - Road Projects | 1,200 | 148 |
| Indoor aquatic facility | 0 | 3,929 |
| Community Energy Efficiency Program | 293 | 109 |
| | <u>2,134</u> | <u>5,414</u> |
| Total capital grants | <u>2,134</u> | <u>5,414</u> |
| | <u>5,415</u> | <u>6,676</u> |
| Total grants | <u>5,415</u> | <u>6,676</u> |

Non-reciprocal grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:

| | | |
|----------------------------|------------|----------|
| Operational Grants | | |
| Financial assistance grant | <u>981</u> | <u>0</u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| 5 Grants (continued) | | |
| Non-reciprocal grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were: | | |
| Grants - Recurrent | | |
| Federal assistance | <u>0</u> | <u>999</u> |
| 6 Contributions | | |
| Contributions - cash | | |
| Training contributions | 24 | 14 |
| Sundry | 33 | 20 |
| Total contributions - cash | <u>57</u> | <u>34</u> |
| Contributions - non-monetary assets | | |
| Infrastructure from developers at fair value | | |
| Land | 51 | 29 |
| Parks and Open Space | 0 | 0 |
| Roads | 636 | 1,019 |
| Stormwater | 336 | 703 |
| Other infrastructure | 26 | 26 |
| Cultural & Heritage | 0 | 38 |
| Total contributions from developers | <u>1,049</u> | <u>1,815</u> |
| Assets at initial recognition - non-monetary assets | | |
| Infrastructure taken up at fair value | | |
| Land | 2,103 | 0 |
| Buildings | 311 | 0 |
| Total assets at initial recognition - non monetary | <u>2,414</u> | <u>0</u> |
| Total contributions - non monetary assets | <u>3,463</u> | <u>1,815</u> |
| Total contributions | <u>3,520</u> | <u>1,849</u> |
| 7 Investment revenue from TasWater | | |
| Dividend revenue | 1,208 | 1,137 |
| Tax equivalent | 408 | 438 |
| Guarantee fee | 127 | 140 |
| Total investment revenue from TasWater | <u>1,743</u> | <u>1,715</u> |
| 8 Other investment revenue | | |
| Interest received from investments | 575 | 485 |
| Dulverton Regional Waste Management Authority | 316 | 188 |
| Total other investment revenue | <u>891</u> | <u>673</u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| 9 Other income | | |
| Commission | 225 | 209 |
| Recoverables | 468 | 215 |
| Miscellaneous | 614 | 484 |
| | <u>1,307</u> | <u>908</u> |
| 10 Employee benefits | | |
| Total wages and salaries | 8,635 | 9,182 |
| Annual long service leave entitlements | 1,089 | 1,022 |
| Superannuation (Note 28) | 1,107 | 1,161 |
| | 10,831 | 11,365 |
| Other employee related expenses | 1,067 | 1,153 |
| | 11,898 | 12,518 |
| Less amounts capitalised | (313) | (483) |
| | <u>11,585</u> | <u>12,035</u> |
| 11 Materials and services | | |
| Advertising, printing & other office costs | 365 | 446 |
| Computer services and maintenance | 444 | 405 |
| Consultants | 435 | 538 |
| Contractors | 4,264 | 4,075 |
| General - services & materials | 1,382 | 1,209 |
| Insurance | 277 | 288 |
| Levies & taxes | 2,659 | 2,835 |
| Memberships - organisations | 275 | 258 |
| Plant expenses | 657 | 713 |
| Professional services | 337 | 144 |
| Telephone & postage services | 139 | 144 |
| Utilities | 1,563 | 1,512 |
| | <u>12,797</u> | <u>12,567</u> |
| 12 Depreciation | | |
| Parks and open space | 177 | 177 |
| Buildings | 1,355 | 1,194 |
| Plant | 638 | 721 |
| Furniture and fittings | 581 | 529 |
| Roads | 3,822 | 3,835 |
| Stormwater | 1,051 | 1,441 |
| Other Infrastructure | 1,066 | 1,001 |
| Cultural and heritage | 12 | 12 |
| | <u>8,702</u> | <u>8,910</u> |
| 13 Finance costs | | |
| Bank charges | 79 | 76 |
| Interest - borrowings | 1,132 | 1,028 |
| | <u>1,211</u> | <u>1,104</u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|-------------------------------|----------------|----------------|
| 14 Other expenses | | |
| General expenses | 155 | 56 |
| Bad and doubtful debts | 289 | 233 |
| Councillors' remuneration | 271 | 300 |
| Grants and community benefits | 487 | 577 |
| | <u>1,202</u> | <u>1,166</u> |

Audit fees paid or payable to conduct the external audit for 2014/15 total \$45,700 (2013/14: \$43,120)

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 Aldermens' Allowances, Expenses and Provision of Facilities Policy".

15 Net loss on the disposal of assets

| | | |
|---------------------------------------|----------------|----------------|
| Proceeds from sale | 234 | 308 |
| Infrastructure donations | (1,106) | (813) |
| Written down value of assets disposed | (1,032) | (3,571) |
| | <u>(1,904)</u> | <u>(4,076)</u> |

Infrastructure Donations relate to assets constructed by Council that transferred to a third party on completion. These assets include a roundabout located at Stoney Rise Road transferred to the Department of State Growth following construction.

In 2014 the written down value of assets disposed included amounts relating to buildings and infrastructure constructed on Council land but not owned by Council and to the demolition of an existing asset. It was determined that Council did not have ownership or control of the assets and they were removed from the Asset Register. The net adjustment to remove these assets totalled \$1,960,802.

In 2014 Council demolished the former Police Station building. The building was demolished to clear the site for future development as part of the LIVING CITY project. Net costs to demolish the building and the write down totalled \$981,505.

16 Cash and cash equivalents

| | | |
|--------------------------|---------------|---------------|
| Cash at bank and on hand | 1,395 | 601 |
| Investments | 17,263 | 9,711 |
| | <u>18,658</u> | <u>10,312</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 5) | 981 | 0 |
| - Leave provisions (Note 25) | 2,603 | 2,610 |
| - Trust funds and deposits (Note 31) | 215 | 252 |
| | <u>3,799</u> | <u>2,862</u> |
| Restricted Funds | | |
| | <u>3,799</u> | <u>2,862</u> |
| Total unrestricted cash and cash equivalents | <u>14,859</u> | <u>7,450</u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|--------------------------------|-------------------------------|-----------------------------|
| 17 Receivables | | |
| (i) Current receivables | | |
| Rates and utility charges | 93 | 209 |
| Infringement debtors | 89 | 95 |
| Sundry debtors | 520 | 268 |
| Planning & health debtors | 10 | 5 |
| Net GST receivable | 135 | 160 |
| Loans and advances | 0 | 74 |
| Accrued revenue | 269 | 156 |
| | <u> </u> | <u> </u> |
| Total current receivables | <u> 1,116</u> | <u> 967</u> |

Receivables are recognised at their amortised cost less an allowance for impairment losses.

| | | |
|-------------------------------------|---------------------------|----------------------------|
| (ii) Non current receivables | | |
| Loans and advances | <u> 0</u> | <u> 74</u> |
| | <u> 0</u> | <u> 74</u> |

| | | |
|-----------------------|----------------------------|----------------------------|
| 18 Prepayments | | |
| Current | | |
| Prepayments | <u> 93</u> | <u> 91</u> |
| | <u> 93</u> | <u> 91</u> |

| | | |
|---|--------------------------------|--------------------------------|
| 19 Investment in TasWater | | |
| Opening Balance | 83,560 | 77,874 |
| Fair Value adjustments on Available-for-Sale Assets | <u> 671</u> | <u> 5,686</u> |
| | <u> 84,231</u> | <u> 83,560</u> |

Council has derived returns from TasWater as disclosed at Note 7.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|---|---------------------|---------------------|
| 20 Investments in associates | | |
| Investments in associates accounted for by the equity method are as follows: | | |
| Dulverton Regional Waste Management Authority | <u>3,849</u> | <u>3,081</u> |
| Dulverton Regional Waste Management Authority | | |
| Dulverton Regional Waste Management Authority is a Joint Authority established under the Local Government Act 1993(as amended). Further information is provided in Note 33 (i). | | |
| Council's ownership interest in the Authority at 30 June 2015 was 43.45% (43.45% in 2014). | | |
| 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 | 2,069 | 1,105 |
| Add: Prior year adjustment | (302) | 131 |
| Less: Authority's tax expense | <u>(621)</u> | <u>(332)</u> |
| Authority's profit/(loss) after tax | <u>1,146</u> | <u>904</u> |
| Council's equity interest | 43.45% | 43.45% |
| Percentage share of profit after tax | <u>498</u> | <u>393</u> |
| Share of dividends paid by Authority | <u>(87)</u> | <u>0</u> |
| Share of profit of Authority recognised in Income Statement | <u><u>411</u></u> | <u><u>393</u></u> |
| Movement in carrying value of investment | | |
| Carrying amount at beginning of period | 3,081 | 2,637 |
| Council's share of profit after tax | 411 | 393 |
| Share of asset revaluation | <u>357</u> | <u>51</u> |
| Fair value at the period end | <u><u>3,849</u></u> | <u><u>3,081</u></u> |

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

| | | |
|-------------------|--------|--------|
| Total Assets | 14,646 | 13,701 |
| Total Liabilities | 5,787 | 6,610 |
| Revenue | 8,260 | 7,873 |

The investment value in Dulverton Regional Waste Management Authority recognised in the 2015 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 2016 financial year.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|---|-----------------------|-----------------------|
| 21 Property, plant and equipment | | |
| (a) (i) Land | | |
| at fair value | <u>147,432</u> | <u>114,707</u> |
| Freehold land is comprised of the following : | | |
| Parks, Reserves & General land | 32,774 | 25,499 |
| Other land (including under infrastructure) | <u>114,658</u> | <u>89,208</u> |
| | <u>147,432</u> | <u>114,707</u> |
| (ii) Parks and open space | | |
| at fair value | 5,784 | 5,892 |
| Less : Accumulated depreciation on improvements | <u>2,069</u> | <u>1,892</u> |
| | <u>3,715</u> | <u>4,000</u> |
| (iii) Buildings | | |
| at fair value | 90,168 | 78,721 |
| Less: Accumulated depreciation | <u>41,560</u> | <u>33,917</u> |
| | <u>48,608</u> | <u>44,804</u> |
| (iv) Plant | | |
| at cost | 7,164 | 7,622 |
| Less: Accumulated depreciation | <u>3,902</u> | <u>4,081</u> |
| | <u>3,262</u> | <u>3,541</u> |
| (v) Furniture and fittings | | |
| at cost | 5,079 | 4,758 |
| Less: Accumulated depreciation | <u>2,562</u> | <u>2,224</u> |
| | <u>2,517</u> | <u>2,534</u> |
| (vi) Total cultural and heritage assets | | |
| at fair value | 4,220 | 3,970 |
| Less: Accumulated depreciation | <u>27</u> | <u>15</u> |
| | <u>4,193</u> | <u>3,955</u> |
| (vii) Total infrastructure assets | | |
| at fair value | 407,325 | 396,872 |
| Less: Accumulated depreciation | <u>202,123</u> | <u>194,699</u> |
| | <u>205,202</u> | <u>202,173</u> |
| Infrastructure assets comprise: | | |
| Roads | 122,522 | 120,692 |
| Stormwater | 64,267 | 63,439 |
| Other infrastructure assets | <u>18,413</u> | <u>18,042</u> |
| | <u>205,202</u> | <u>202,173</u> |
| Total net value of non current assets | <u><u>414,929</u></u> | <u><u>375,714</u></u> |

(c) Internal transfers

There have not been any transfers between classes during 2015.

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

21 Property, plant and equipment (continued)

| Reconciliation of property, plant and equipment | | | | | | | | | | |
|---|----------------|----------------------|---------------|--------------|------------------------|----------------|---------------|----------------------|-----------------------|----------------|
| 2015 | | | | | | | | | | |
| | Land | Parks and Open Space | Buildings | Plant | Furniture and Fittings | Roads | Stormwater | Other Infrastructure | Cultural and Heritage | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Asset values | | | | | | | | | | |
| Opening balance at valuation | 114,707 | 5,892 | 78,721 | 7,622 | 4,758 | 261,568 | 108,951 | 26,353 | 3,970 | 612,542 |
| Additions at cost | | (108) | 453 | 518 | 625 | 3,848 | 757 | 1,523 | 24 | 7,640 |
| Contributed assets at valuation | 51 | | | | | 636 | 336 | 26 | | 1,049 |
| Assets at Initial Recognition | 2,103 | | 311 | | | | | | | 2,414 |
| Disposals | | 0 | (74) | (976) | (304) | (1,793) | (111) | (209) | | (3,467) |
| Revaluations in period | 30,571 | | 10,757 | | | 3,973 | 1,467 | | 226 | 46,994 |
| Internal transfers | | | | | | | | | | 0 |
| Closing balance | 147,432 | 5,784 | 90,168 | 7,164 | 5,079 | 268,232 | 111,400 | 27,693 | 4,220 | 667,172 |
| Accumulated depreciation | | | | | | | | | | |
| Opening balance | 0 | 1,892 | 33,917 | 4,081 | 2,224 | 140,876 | 45,512 | 8,311 | 15 | 236,828 |
| Depreciation provided in period | | 177 | 1,355 | 638 | 581 | 3,822 | 1,051 | 1,066 | 12 | 8,702 |
| Contributed assets at valuation | | | | | | | | | | 0 |
| Written off on disposals | | 0 | (43) | (817) | (243) | (1,183) | (52) | (97) | | (2,435) |
| Adjustment on asset revaluation | | | 6,331 | | | 2,195 | 622 | | | 9,148 |
| Internal transfers | | | | | | | | | | 0 |
| Closing balance | 0 | 2,069 | 41,560 | 3,902 | 2,562 | 145,710 | 47,133 | 9,280 | 27 | 252,243 |
| Total written down value 30 June 2015 | 147,432 | 3,715 | 48,608 | 3,262 | 2,517 | 122,522 | 64,267 | 18,413 | 4,193 | 414,929 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report
For the year ended 30 June 2015

21 Property, plant and equipment (continued)

| Reconciliation of property, plant and equipment | | | | | | | | | | |
|---|---------|----------------------|-----------|---------|------------------------|---------|------------|----------------------|-----------------------|---------|
| 2014 | | | | | | | | | | |
| | Land | Parks and Open Space | Buildings | Plant | Furniture and Fittings | Roads | Stormwater | Other Infrastructure | Cultural and Heritage | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Asset values | | | | | | | | | | |
| Opening balance at valuation | 113,326 | 5,723 | 68,641 | 7,937 | 4,735 | 256,485 | 114,289 | 23,749 | 3,921 | 598,806 |
| Additions at cost | 1,391 | 175 | 14,279 | 974 | 709 | 5,501 | 1,643 | 2,850 | 11 | 27,533 |
| Contributed assets at valuation | 29 | 0 | 0 | 0 | 0 | 1,019 | 703 | 26 | 38 | 1,815 |
| Donations | 0 | 0 | 0 | 0 | 0 | (117) | 0 | 0 | 0 | (117) |
| Disposals | 0 | (6) | (4,199) | (1,289) | (686) | (1,379) | (307) | (272) | 0 | (8,138) |
| Revaluations in period | (39) | 0 | 0 | 0 | 0 | 59 | (7,377) | 0 | 0 | (7,357) |
| Internal transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total asset value | 114,707 | 5,892 | 78,721 | 7,622 | 4,758 | 261,568 | 108,951 | 26,353 | 3,970 | 612,542 |
| Accumulated depreciation | | | | | | | | | | |
| Opening balance | 0 | 1,721 | 34,130 | 4,297 | 2,354 | 138,193 | 46,645 | 7,543 | 3 | 234,886 |
| Depreciation provided in period | 0 | 177 | 1,194 | 721 | 529 | 3,835 | 1,441 | 1,001 | 12 | 8,910 |
| Contributed assets at valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Written off on disposals | 0 | (6) | (1,407) | (937) | (659) | (1,155) | (170) | (233) | 0 | (4,567) |
| Adjustment on asset revaluation | 0 | 0 | 0 | 0 | 0 | 3 | (2,404) | 0 | 0 | (2,401) |
| Internal transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance | 0 | 1,892 | 33,917 | 4,081 | 2,224 | 140,876 | 45,512 | 8,311 | 15 | 236,828 |
| Total written down value 30 June 2014 | 114,707 | 4,000 | 44,804 | 3,541 | 2,534 | 120,692 | 63,439 | 18,042 | 3,955 | 375,714 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| 22 Capital work in progress - at cost | | |
| Parks and Open Space | 247 | 793 |
| Buildings | 1,352 | 506 |
| Plant | 2 | 0 |
| Furniture and fittings | 44 | 219 |
| Roads | 658 | 2,059 |
| Stormwater | 376 | 305 |
| | <u>2,679</u> | <u>3,882</u> |
| 23 Payables | | |
| Current | | |
| Trade creditors | 228 | 470 |
| Accruals | 2,094 | 2,086 |
| Trust funds | 215 | 252 |
| | <u>2,537</u> | <u>2,808</u> |
| 24 Interest bearing liabilities | | |
| Current | | |
| Borrowings - secured | <u>985</u> | <u>928</u> |
| Non-current | | |
| Borrowings - secured | <u>20,507</u> | <u>19,092</u> |
| | <u>21,492</u> | <u>20,020</u> |
| (ii) Loan Movements | | |
| Opening balance | 20,020 | 19,185 |
| Loans raised | 2,400 | 2,000 |
| Repayments | <u>(928)</u> | <u>(1,165)</u> |
| Book value at period end | <u>21,492</u> | <u>20,020</u> |
| The maturity profile for Council's borrowings is: | | |
| Not later than one year | 985 | 928 |
| Later than one year and not later than five years | 13,295 | 8,821 |
| Later than five years | <u>7,212</u> | <u>10,271</u> |
| Total | <u>21,492</u> | <u>20,020</u> |

Council's loans are secured by trust deed.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|-------------------------------|---------------------|---------------------|
| 25 Provisions | | |
| Current | | |
| Employee entitlements: | | |
| Annual leave | 1,010 | 1,024 |
| Long service leave | 1,068 | 1,088 |
| | <u>2,078</u> | <u>2,112</u> |
| Non-current | | |
| Employee entitlements: | | |
| Long service leave | 525 | 498 |
| | <u>525</u> | <u>498</u> |
| Total provisions | <u><u>2,603</u></u> | <u><u>2,610</u></u> |

Included in the above employee entitlements balances is an allowance for oncosts amounting to \$184,861 (\$189,367 for 2014)

As at 30 June 2015, Devonport City Council had 151 full time equivalent employees (159 for 2014)

26 Capital and capital reserves

(i) Asset revaluation reserve - Council

Movements in the asset revaluation reserve were as follows:

| | | |
|---|-----------------------|-----------------------|
| Balance at the beginning of year | 257,555 | 262,511 |
| Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value: | | |
| Land | 30,571 | (39) |
| Buildings | 4,426 | 0 |
| Roads | 1,778 | 56 |
| Stormwater | 845 | (4,973) |
| Cultural & Heritage | 226 | 0 |
| | <u>37,846</u> | <u>(4,956)</u> |
| Balance at end of year | <u><u>295,401</u></u> | <u><u>257,555</u></u> |

(ii) Asset revaluation reserve - Associate

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

| | | |
|---|---------------------|---------------------|
| Balance at the beginning of year | 1,058 | 1,007 |
| Share of asset revaluation movement - Associate (Note 20) | 357 | 51 |
| Balance at end of year | <u><u>1,415</u></u> | <u><u>1,058</u></u> |

(iii) Accumulated surplus

Movements in the Accumulated surplus as follows:

| | | |
|------------------------------|-----------------------|-----------------------|
| Balance at beginning of year | 186,468 | 182,908 |
| Surplus / (Deficit) | 7,806 | 3,560 |
| Balance at end of year | <u><u>194,274</u></u> | <u><u>186,468</u></u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|--|---------------------|---------------------|
| 27 Other reserves | | |
| (a) Reserves held for funding future capital expenditure: | | |
| Fair value investment reserve | <u>7,833</u> | <u>7,162</u> |
| | <u>7,833</u> | <u>7,162</u> |
| | | |
| (b) Movements in capital reserves are analysed as follows: | | |
| | | |
| Fair value investment reserve | | |
| Balance B/Fwd | 7,162 | 1,476 |
| Fair value adjustment on available for sale assets | <u>671</u> | <u>5,686</u> |
| | | |
| Balance as at 30 June | <u>7,833</u> | <u>7,162</u> |

28 Superannuation

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

For the year ended 30 June 2015 the Council contributed 11% of employees gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was \$57,588,247, the value of vested benefits was \$66,310,000, the value of vested benefits was \$57,475,000, the surplus over vested benefits was \$8,835,000 and the value of total accrued benefits was \$58,093,000. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme'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 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

28 Superannuation (continued)

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2014.
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 2014.
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 11% of salaries in 2014/15 and 9.5% of salaries thereafter.

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 2017 and is expected to be completed late in 2017.

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

The 2014 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 2011.

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 Clause 1.9.2 of the Scheme 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 Clause 1.9.2(b). However in terms of Clause 1.9.2 (d), the only contributions that can be sought from the Employer and its employee Members are any arrears of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Clause 1.22.2(a) requiring the Employer to make good any shortfall before the cessation of participation is approved. Clause 1.22.2(b) specifically provides that employers participating in the Fund will not be liable for the obligations of other Employers in other funds within the Scheme.

- The application of Fund assets on the Fund or the Scheme being wound-up is set out in Clause 1.21.3. This Clause provides that expenses, pensions in payment and the Superannuation Guarantee benefits of other members should have first call on the available assets. Additional assets will initially be applied proportionately to providing Member's benefits in respect of completed service. If additional assets are available they are applied to increasing members' benefits.

The Trust Deed does not contemplate the Fund withdrawing from the Scheme. However it is likely that Clause 1.9.2 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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| 28 Superannuation (cont.) | | |
| - | | |
| During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$85,810, and the amount to be paid to accumulation schemes is \$1,083,311. | | |
| - | | |
| As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2014. Favourable 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 2017. | | |
| - | | |
| An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2014, showed that the Fund had assets of \$66.3 million and members' Vested Benefits were \$57.5 million. These amounts represented 8.4% and 7.5% respectively of the corresponding total amounts for the Scheme. | | |

During the reporting period the amount of contributions paid to defined benefits and accumulation schemes was:

| | | |
|------------------------|---------------------|---------------------|
| Defined Benefit Scheme | 73 | 88 |
| Accumulation Schemes | <u>1,034</u> | <u>1,073</u> |
| | <u><u>1,107</u></u> | <u><u>1,161</u></u> |

29 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>2,030</u> | <u>1,039</u> |
| Commitments are payable as follows : | | |
| Not later than 1 year | <u>2,030</u> | <u>1,039</u> |

30 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2015.

31 Trust funds

| | | |
|----------------|------------|------------|
| Trust deposits | <u>215</u> | <u>252</u> |
|----------------|------------|------------|

The Devonport City Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council, 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 2.5% (2014 3.5%).

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------------|---------------------|
| 32 Reconciliation of cash flows from operating activities to surplus / (deficit) | | |
| Surplus / (deficit) | 7,806 | 3,560 |
| Depreciation and amortisation | 8,702 | 8,910 |
| Non-cash donations subsidies and contributions | (3,463) | (1,815) |
| Share of profit in associate | (411) | (393) |
| Net (gain) / loss on disposal of assets | 1,904 | 4,076 |
| Bad and doubtful debts | 289 | 233 |
| Overhead recovery | (582) | (963) |
| Investing activity | | |
| Other investment income | (296) | (188) |
| Capital grants | (2,134) | (5,414) |
| | <u>4,009</u> | <u>4,446</u> |
| Changes in operating assets and liabilities : | | |
| <i>(Increase) / decrease in receivables</i> | (79) | 312 |
| <i>(Increase) / decrease in prepayments</i> | (2) | 0 |
| <i>Increase / (decrease) in payables</i> | (602) | 306 |
| <i>Increase / (decrease) in employee provisions</i> | (7) | (76) |
| | <u>(690)</u> | <u>542</u> |
| Net cash inflow from operating activities | <u><u>11,125</u></u> | <u><u>8,548</u></u> |

33 Joint Authorities

(i) Dulverton Regional Waste Management Authority

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

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

The primary activity of the Authority is to operate a regional landfill site at Dulverton. As at 30 June 2015 the ownership share for Devonport was 43.45%.

| | | |
|--------------------------|---------------------|---------------------|
| Value of ownership share | <u><u>3,849</u></u> | <u><u>3,081</u></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.

At the June 2014 Council meeting, Aldermen resolved to notify Cradle Coast Authority of its intention to withdraw from the Authority effective 30 June 2017. The Authority has been notified and Council will continue to contribute to the operating costs of the Authority until that time.

34 Related party disclosures

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

35 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:

| 2015 | 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 | 18,658 | 0 | 0 | 0 | 0 | 18,658 |
| Receivables | 0 | 0 | 0 | 0 | 1,116 | 1,116 |
| Investment in Water Corporation | 0 | 0 | 0 | 0 | 84,231 | 84,231 |
| | 18,658 | 0 | 0 | 0 | 85,347 | 104,005 |
| Financial liabilities | | | | | | |
| Payables | 0 | 0 | 0 | 0 | 2,537 | 2,537 |
| Interest bearing liabilities | 0 | 985 | 13,295 | 7,212 | 0 | 21,492 |
| | 0 | 985 | 13,295 | 7,212 | 2,537 | 24,029 |
| Net financial assets / (liabilities) | 18,658 | (985) | (13,295) | (7,212) | 82,810 | 79,976 |

| 2014 | 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 | 10,312 | 0 | 0 | 0 | 0 | 10,312 |
| Receivables | 0 | 74 | 0 | 74 | 893 | 1,041 |
| Investment in Water Corporation | 0 | 0 | 0 | 0 | 83,560 | 83,560 |
| | 10,312 | 74 | 0 | 74 | 84,453 | 94,913 |
| Financial liabilities | | | | | | |
| Payables | 0 | 0 | 0 | 0 | 2,808 | 2,808 |
| Interest bearing liabilities | 0 | 928 | 8,821 | 10,271 | 0 | 20,020 |
| | 0 | 928 | 8,821 | 10,271 | 2,808 | 22,828 |
| Net financial assets / (liabilities) | 10,312 | (854) | (8,821) | (10,197) | 81,645 | 72,085 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

35 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 | |
|---------------------------------------|--|----------------|--------------------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 18,658 | 10,312 | 18,658 | 10,312 |
| Receivables | 1,116 | 1,041 | 1,116 | 1,041 |
| Investment in Water Corporation | 84,231 | 83,560 | 84,231 | 83,560 |
| Total financial assets | 104,005 | 94,913 | 104,005 | 94,913 |
| Financial liabilities | | | | |
| Payables | 2,537 | 2,808 | 2,537 | 2,808 |
| Interest-bearing loans and borrowings | 21,492 | 20,020 | 22,988 | 19,768 |
| Total financial liabilities | 24,029 | 22,828 | 25,525 | 22,576 |

(d) Credit Risk

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

(e) Risks and mitigation

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

Market risk

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

35 Financial instruments (continued)

(e) Risks and mitigation (continued)

Interest rate risk

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

Our loan borrowings are sourced from major Australian banks. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

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

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

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

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

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

35 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 our Statement of Financial Position. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note.

Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation. In addition, receivable balance are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 30.

| | 2015 \$'000 | 2014 \$'000 |
|---|-----------------|-----------------|
| Movement in Provisions for Impairment of Trade and Other Receivables | | |
| Balance at the beginning of the year | 0 | 0 |
| New Provisions recognised during the year | 0 | 0 |
| Amounts already provided for and written off as uncollectible | 0 | 0 |
| Amounts provided for but recovered during the year | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Balance at end of year | <u><u>0</u></u> | <u><u>0</u></u> |

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:

| | | |
|---------------------------------|---------------------|-------------------|
| Current (less than 1 year) | 961 | 797 |
| Past due by over 1 year | 75 | 80 |
| Past due by over 2 years | 14 | 12 |
| Past due by over 3 years | 6 | 7 |
| Past due by over 4 years | 60 | 71 |
| | <u>60</u> | <u>71</u> |
| Total Trade & Other Receivables | <u><u>1,116</u></u> | <u><u>967</u></u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

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

Ageing of individually impaired Trade and Other Receivables

At balance date, there were no impaired debtor amounts identified (2013/14 \$0). No provision has been raised against debtors at year end (2013/14: \$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 our operational liquidity requirements:

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

To help reduce these risks we:

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

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

(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.

| 2015 | 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 | 2,537 | 0 | 0 | 0 | 0 | 2,537 | 2,537 |
| Interest bearing | 1,035 | 1,035 | 1,922 | 14,601 | 8,692 | 27,285 | 21,492 |
| Total financial | 3,572 | 1,035 | 1,922 | 14,601 | 8,692 | 29,822 | 24,029 |

| 2014 | 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 | 2,808 | 0 | 0 | 0 | 0 | 2,808 | 2,808 |
| Interest bearing | 989 | 1,035 | 1,977 | 13,493 | 9,427 | 26,921 | 20,020 |
| Total financial | 3,797 | 1,035 | 1,977 | 13,493 | 9,427 | 29,729 | 22,828 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

35 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 -2% in market interest rates (AUD) from year-end rates of 2.5%.

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.

| | 2015 | | Interest rate risk | | | |
|-------------------------------|----------------|------------------|--------------------|------------------|-------------------|--|
| | | | -2 % | | +1 | |
| | | | -200 basis points | | +100 basis points | |
| | 2015 \$'000 | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 | |
| Financial assets: | | | | | | |
| Cash and cash equivalents | 18,658 | (373) | (373) | 187 | 187 | |
| Receivables | 0 | 0 | 0 | 0 | 0 | |
| Financial liabilities: | | | | | | |
| Interest bearing liabilities | 21,492 | 430 | 430 | (215) | (215) | |

| | 2014 | | Interest rate risk | | | |
|-------------------------------|----------------|------------------|--------------------|------------------|-------------------|--|
| | | | -2 % | | +1 | |
| | | | -200 basis points | | +100 basis points | |
| | 2014 \$'000 | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 | |
| Financial assets: | | | | | | |
| Cash and cash equivalents | 10,312 | (206) | (206) | 103 | 103 | |
| Receivables | 148 | (3) | (3) | 1 | 1 | |
| Financial liabilities: | | | | | | |
| Interest bearing liabilities | 20,020 | 400 | 400 | (200) | (200) | |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

35 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 (ie prices) or indirectly (ie derived from prices) |
| Level 3 | inputs for the asset or liability that are not based on observable market data |

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|--------|
| 30 June 2015 | | | | |
| Available for sale financial assets | 0 | 0 | 84,231 | 84,231 |

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|--------|
| 30 June 2014 | | | | |
| Available for sale financial assets | 0 | 0 | 83,560 | 83,560 |

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

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------------|----------------------|
| Reconciliation of Level 3 fair value movements: | | |
| Opening Balance | 83,560 | 77,874 |
| Fair Value adjustments on Available-for-Sale Assets | <u>671</u> | <u>5,686</u> |
| Closing Balance | <u><u>84,231</u></u> | <u><u>83,560</u></u> |

(h) Categories of Financial assets and Liabilities

Carrying amounts classified as:

Financial assets

| | | |
|-------------------------------------|-----------------------|----------------------|
| Cash and cash equivalents | 18,658 | 10,312 |
| Loans and receivables | 1,116 | 1,041 |
| Available for sale financial assets | <u>84,231</u> | <u>83,560</u> |
| Total financial assets | <u><u>104,005</u></u> | <u><u>94,913</u></u> |

Financial liabilities

| | | |
|--|----------------------|----------------------|
| Financial liabilities measured at amortised cost | <u>24,029</u> | <u>22,828</u> |
| Total financial liabilities | <u><u>24,029</u></u> | <u><u>22,828</u></u> |
| Net Financial Assets / Liabilities | <u><u>79,976</u></u> | <u><u>72,085</u></u> |

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2015

36 Significant business activities

| | 2015 | | |
|---|----------------|----------------|--------------|
| | Roads | Stormwater | Parking |
| | \$'000 | \$'000 | \$'000 |
| Operating Statement | | | |
| Revenue | | | |
| Fees and charges | 0 | 0 | 1,502 |
| Donated assets | 636 | 336 | 0 |
| Other | 2,106 | 0 | 1,197 |
| Grants and contributions | 1,841 | 0 | 2 |
| Total revenue | 4,583 | 336 | 2,701 |
| Expenses - Direct | | | |
| Employee costs | 340 | 72 | 310 |
| Materials and services | 3,798 | 627 | 1,064 |
| Finance costs | 189 | 0 | 0 |
| Total expenses (before depreciation) | 4,327 | 699 | 1,374 |
| Capital costs | | | |
| Depreciation expense | 3,657 | 1,051 | 142 |
| Opportunity cost of capital | 3,074 | 1,605 | 224 |
| Opportunity cost of working capital | 0 | 0 | 0 |
| (Gain) / loss on sale of non-current assets | 610 | 59 | 0 |
| | 7,341 | 2,715 | 366 |
| Competitive neutrality adjustments | | | |
| Loan guarantee fees | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Calculated surplus / (deficit) | (3,401) | (1,414) | 1,185 |
| Income Tax Equivalent Rate 30% | | | |
| Income tax equivalent | 0 | 0 | 356 |
| Total fully attributed costs | 11,668 | 3,414 | 2,096 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

36 Significant business activities (continued)

| | 2014 | | |
|---|---------------|--------------|--------------|
| | Roads | Stormwater | Parking |
| | \$'000 | \$'000 | \$'000 |
| Operating Statement | | | |
| Revenue | | | |
| Fees and charges | 0 | 0 | 1,508 |
| Donated assets | 1,019 | 704 | 0 |
| Other | 37 | 0 | 997 |
| Grants and contributions | 1,377 | 0 | 0 |
| Total revenue | 2,433 | 704 | 2,505 |
| Expenses - Direct | | | |
| Employee costs | 242 | 67 | 352 |
| Materials and services | 3,564 | 486 | 1,049 |
| Finance costs | 197 | 0 | 0 |
| Total expenses (before depreciation) | 4,003 | 553 | 1,401 |
| Capital costs | | | |
| Depreciation expense | 3,835 | 1,441 | 139 |
| Opportunity cost of capital | 4,285 | 2,307 | 314 |
| Opportunity cost of working capital | 0 | 0 | 0 |
| (Gain) / loss on sale of non-current assets | 341 | 137 | 0 |
| | 8,461 | 3,885 | 453 |
| Competitive neutrality adjustments | | | |
| Loan guarantee fees | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Calculated surplus / (deficit) | (5,405) | (1,290) | 965 |
| Income Tax Equivalent Rate 30% | | | |
| Income tax equivalent | 0 | 0 | 290 |
| Total fully attributed costs | 12,464 | 4,438 | 1,854 |

37 Controlling Authority transactions

| | 2015 | | 2014 | |
|---|------------------|-----------------------|------------------|-----------------------|
| | Income \$'000 | Expenditure \$'000 | Income \$'000 | Expenditure \$'000 |
| Devonport Recreation Centre Controlling Authority | 0 | 0 | 137 | 514 |
| Fenton Villas Management Controlling Authority | 0 | 0 | 46 | 121 |
| Maidstone Park Management Controlling Authority | 13 | 11 | 12 | 7 |
| Total | 13 | 11 | 195 | 642 |

During the year Council reviewed its Committee structure and resolved to wind up the Devonport Recreation Centre Controlling Authority and the Fenton Villas Management Controlling Authority.

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

38 Events occurring after balance date

No significant events have occurred after balance date.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| 39 Management indicators | Benchmark | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 | 2012 \$'000 |
|---|-----------|----------------|----------------|----------------|----------------|
| (a) Underlying surplus or deficit | | | | | |
| Recurrent income* less recurrent expenditure** | | 38,629 | 37,188 | 36,259 | 33,782 |
| | | 36,295 | 36,102 | 35,585 | 34,539 |
| Underlying surplus/deficit | 0 | 2,334 | 1,086 | 674 | (757) |

* Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature. It also excludes the prepaid 2015/16 Financial Assistance Grant of \$981k

** Recurrent expenditure excludes contribution of assets to a third party totalling \$1,106k.

Council has reported an underlying surplus for the 2015 year, which exceeds the benchmark of a breakeven result.

(b) Underlying surplus ratio

| | | | | | |
|--------------------------------------|----|--------------|--------------|--------------|----------------|
| <u>Underlying surplus or deficit</u> | | 2,334 | 1,086 | 674 | -757 |
| Recurrent income* | | 38,629 | 37,188 | 36,259 | 33,782 |
| Underlying surplus ratio | 0% | 6.04% | 2.92% | 1.86% | (2.24%) |

This ratio serves as an overall measure of financial operating effectiveness

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

(c) Net financial liabilities

| | | | | | |
|---|---|----------------|-----------------|-----------------|--------------|
| Liquid assets less total liabilities | | 19,774 | 11,279 | 15,405 | 13,595 |
| | | 26,632 | 25,438 | 25,581 | 14,153 |
| Net financial liabilities | 0 | (6,858) | (14,159) | (10,176) | (558) |

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 in relation to the LIVING CITY project have been funded by borrowings totalling \$12 million. At 30 June 2015 the balance of these loans totalled \$11,574,805 (2014 \$9,392,505).

Council has borrowed a mix of interest only loans and principal and interest loans over varying terms to enable the management of the repayment schedule of the loans. Council also maintains a Long Term Financial Plan covering a 10 year period to aid cash management and debt levels.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| 39 Management indicators (cont.) | Benchmark | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 | 2012 \$'000 |
|--|-------------------|-----------------|-----------------|-----------------|----------------|
| (d) Net financial liabilities ratio | | | | | |
| <u>Net financial liabilities</u> | | (6,858) | (14,159) | (10,176) | (558) |
| Recurrent income* | 0% -(50%) | 38,629 | 37,188 | 36,259 | 33,782 |
| Net financial liabilities ratio % | | (17.75%) | (38.07%) | (28.06%) | (1.65%) |

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

The result over the reported period is within benchmark, and reflects the higher level of borrowings in recent years. 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.

Parks and open space

| | | | | | |
|-------------------------------------|--|-------|-------|-------|-------|
| <u>Depreciated replacement cost</u> | | 3,715 | 4,000 | 4,002 | 4,009 |
| Current replacement cost | | 5,784 | 5,892 | 5,723 | 5,560 |

| | | | | | |
|---------------------------|---------------|------------|------------|------------|------------|
| Asset consumption ratio % | 40-60% | 64% | 68% | 70% | 72% |
|---------------------------|---------------|------------|------------|------------|------------|

Buildings

| | | | | | |
|-------------------------------------|--|--------|--------|--------|--------|
| <u>Depreciated replacement cost</u> | | 48,608 | 44,804 | 34,511 | 27,210 |
| Current replacement cost | | 90,168 | 78,721 | 68,641 | 60,733 |

| | | | | | |
|---------------------------|---------------|------------|------------|------------|------------|
| Asset consumption ratio % | 40-60% | 54% | 57% | 50% | 45% |
|---------------------------|---------------|------------|------------|------------|------------|

Roads

| | | | | | |
|-------------------------------------|--|---------|---------|---------|---------|
| <u>Depreciated replacement cost</u> | | 122,522 | 120,692 | 118,292 | 85,979 |
| Current replacement cost | | 268,232 | 261,568 | 256,485 | 199,033 |

| | | | | | |
|---------------------------|---------------|------------|------------|------------|------------|
| Asset consumption ratio % | 40-60% | 46% | 46% | 46% | 43% |
|---------------------------|---------------|------------|------------|------------|------------|

Stormwater

| | | | | | |
|-------------------------------------|--|---------|---------|---------|---------|
| <u>Depreciated replacement cost</u> | | 64,267 | 63,439 | 67,644 | 68,253 |
| Current replacement cost | | 111,400 | 108,951 | 114,289 | 113,620 |

| | | | | | |
|---------------------------|---------------|------------|------------|------------|------------|
| Asset consumption ratio % | 40-60% | 58% | 58% | 59% | 60% |
|---------------------------|---------------|------------|------------|------------|------------|

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 2015

| 39 Management indicators (cont.) | Benchmark | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 | 2012 \$'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> | | | | | |
| <u>Projected capital funding outlays**</u> | | 237 | 1,464 | 1,170 | 470 |
| Projected capital expenditure funding*** | | 1,069 | 349 | 372 | 155 |
| Asset renewal funding ratio % | 90-100% | 22% | 419% | 315% | 303% |
| <i>Buildings</i> | | | | | |
| <u>Projected capital funding outlays**</u> | | 271 | 978 | 240 | 83 |
| Projected capital expenditure funding*** | | 470 | 470 | 529 | 382 |
| Asset renewal funding ratio % | 90-100% | 58% | 208% | 45% | 22% |
| <i>Roads</i> | | | | | |
| <u>Projected capital funding outlays**</u> | | 3,116 | 2,735 | 3,745 | 2,471 |
| Projected capital expenditure funding*** | | 6,296 | 3,681 | 2,489 | 2,583 |
| Asset renewal funding ratio % | 90-100% | 49% | 74% | 150% | 96% |
| <i>Stormwater</i> | | | | | |
| <u>Projected capital funding outlays**</u> | | 211 | 225 | 325 | 74 |
| Projected capital expenditure funding*** | | 0 | 0 | 0 | 0 |
| Asset renewal funding ratio % | 90-100% | NA | NA | NA | NA |

Council are continuing to renew stormwater assets despite the Asset Management Plans not including projected capital funding outlays for the years above.

** Projected capital funding outlays per the budget

*** 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 2015 which included a Long Term Financial Plan to 30 June 2025. 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 due to be updated in 2015/16. 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 COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

| 39 Management indicators (cont.) | Benchmark | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 | 2012 \$'000 |
|--|-------------|----------------|----------------|----------------|----------------|
| (g) Asset sustainability ratio | | | | | |
| <u>Capex on replacement/renewal of existing assets</u> | | 3,699 | 7,283 | 8,556 | 5,396 |
| Annual depreciation expense | | 8,702 | 8,910 | 8,736 | 8,027 |
| Asset sustainability ratio % | 100% | 43% | 82% | 98% | 67% |

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.

| | Capital renewal expenditure | Capital new expenditure | Total Capital Expenditure Cash Flow |
|------------------------|-----------------------------------|----------------------------|---|
| By Asset Class: | | | |
| Land | 0 | 0 | 0 |
| Parks and Open Space | 121 | 614 | 735 |
| Buildings | 372 | 723 | 1,095 |
| Plant | 462 | 66 | 528 |
| Furniture and Fittings | 58 | 182 | 240 |
| Roads | 2,514 | 1,477 | 3,991 |
| Stormwater | 172 | 228 | 400 |
| Total | 3,699 | 3,290 | 6,989 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

40 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
 - Other infrastructure
 - Parks & open space
 - Cultural & heritage

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

(a) Fair Value Hierarchy

AASB 13 Fair Value Measurement requires all assets 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 2015.

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 2015

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | | |
| Land | 21 | | | | |
| - LIVING CITY Land | | | 4,790 | | 4,790 |
| - Other Land | | | 142,642 | | 142,642 |
| Buildings | 21 | | | | |
| - LIVING CITY Buildings | | | 6,555 | | 6,555 |
| - Other Buildings | | | 29,892 | 12,161 | 42,053 |
| Roads, including footpaths and cycleways | 21 | | | 122,522 | 122,522 |
| Stormwater | 21 | | | 64,267 | 64,267 |
| Other infrastructure | 21 | | | 18,413 | 18,413 |
| Parks & open space | 21 | | | 3,715 | 3,715 |
| Cultural and heritage | 21 | | 4,193 | | 4,193 |
| | | 0 | 188,072 | 221,078 | 409,150 |

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2015

40 Fair Value Measurements (cont.)

As at 30 June 2014

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | | |
| Land | 21 | | | | |
| - LIVING CITY Land | | | 3,804 | | 3,804 |
| - Other Land | | | 110,903 | | 110,903 |
| Buildings | 21 | | | | |
| - LIVING CITY Buildings | | | 8,071 | | 8,071 |
| - Other Buildings | | | 36,733 | | 36,733 |
| Roads, including footpaths and cycleways | 21 | | | 120,692 | 120,692 |
| Stormwater | 21 | | | 63,439 | 63,439 |
| Other infrastructure | 21 | | | 18,042 | 18,042 |
| Parks & open space | 21 | | | 4,000 | 4,000 |
| Cultural and heritage | 21 | | 3,955 | | 3,955 |
| | | 0 | 163,466 | 206,173 | 369,639 |

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.

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

Transfers from Level 2 to Level 3

| Asset | \$0 |
|-----------|--------|
| Buildings | 12,161 |

The transfer between Level 2 and Level 3 resulted from a change in determining fair value for specialist buildings. These assets had been valued at market value in the past, however they are now valued at depreciated replacement cost.

(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

Council adopted AASB 13 *Fair Value Measurement* for the first time 2013/14 financial year and has reviewed each valuation to ensure compliance with the requirements of the standard. There have been no changes in valuation techniques as a result of this review.

Investment in Water Corporation

Refer to Note 35, Note 19 and Note 1(i) for details 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.

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

Land under roads is calculated based on the applicable land area recorded by Council and the land values provided by the Valuer General in 2014. 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 2015

40 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. 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 (eg 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. 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.

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Depreciation is applied on a straight line basis. Estimated useful lives are disclosed in Note 1(f).

The calculation of DRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

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

Roads, including footpaths & cycleways

A full valuation of road infrastructure was undertaken by Council staff effective 30 June 2013. 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 2015

40 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 Bargaining Agreement (EBA). 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 2014. 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.

Other Infrastructure

A full valuation of other infrastructure was undertaken by Council staff effective 30 June 2012. The asset class is reviewed between valuations and indexed as required.

Parks & Open Space

A full valuation of parks & open space was undertaken by Council staff effective 30 June 2012. The asset class is reviewed between valuations and indexed as required.

Cultural & Heritage

The valuation of Council's art collection was determined by D. Bett, an independent art valuer, as at 4 November 2011. The art collection is indexed annually using the rates determined by the independent valuer.

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 21 (Property, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(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.

Council's current policy for the valuation of property, infrastructure, plant and equipment and investment in water corporation is set out in note 1(f) and 1(i).

(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 35)

The fair value of borrowings disclosed in note 35 equates to the carrying amount as the carrying amount approximates fair value (level 2)

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

DEVONPORT CITY COUNCIL

Financial Report for the year ended 30 June 2015

Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2015, 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.



Paul West
GENERAL MANAGER

Dated: 28 August 2015