

Devonport City Council



The City with Spirit



Annual Report 2016

Professional Service Providers

Auditors

Bankers

Insurance Brokers

Valuers

Tasmanian Audit Office
Commonwealth Bank of Australia
Jardine Lloyd Thompson
Office of Valuer General

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Council Profile

The Devonport City Council is established under the provisions of the *Local Government Act 1993*. Council is made up of nine Aldermen, who serve a four year term, with elections being held on an 'all in all out' basis. The term for the popularly elected Mayor and Deputy Mayor is also four years.

Strategic Planning Framework

LONG TERM PLANNING

STRATEGIC PLAN



- Goals & Key Objectives
- Strategic Plan 2009-2030
- Core Values & Vision

MEDIUM TERM PLANNING

FINANCIAL AND ASSET STRATEGIES & PLANS



- Financial Management Strategy
- Long Term Financial Plan
- Asset Management Strategy
- Long Term Asset Management Plan

SHORT TERM PLANNING

ANNUAL PLAN & ESTIMATES



- Performance Report
- Financial Statements
- Monthly Management Reporting
- Bi-Monthly Action Progress Reports

ACCOUNTABILITY

ANNUAL REPORT/AUDITED STATEMENTS/ PROGRESS REPORTING



- Performance Report
- Financial Statements
- Monthly Management Reporting
- Bi-Monthly Action Progress Reporting



Decision Making Structures of Council

Decisions are made through Council meetings, Section 23 Committee meetings or by the General Manager and 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 the community.

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. Meetings are recorded in accordance with Council's Audio Recording Policy.

Council's formal decision making structure is comprised of Council and four Section 23 Committees, established in accordance with Section 23 of the *Local Government Act 1993*:

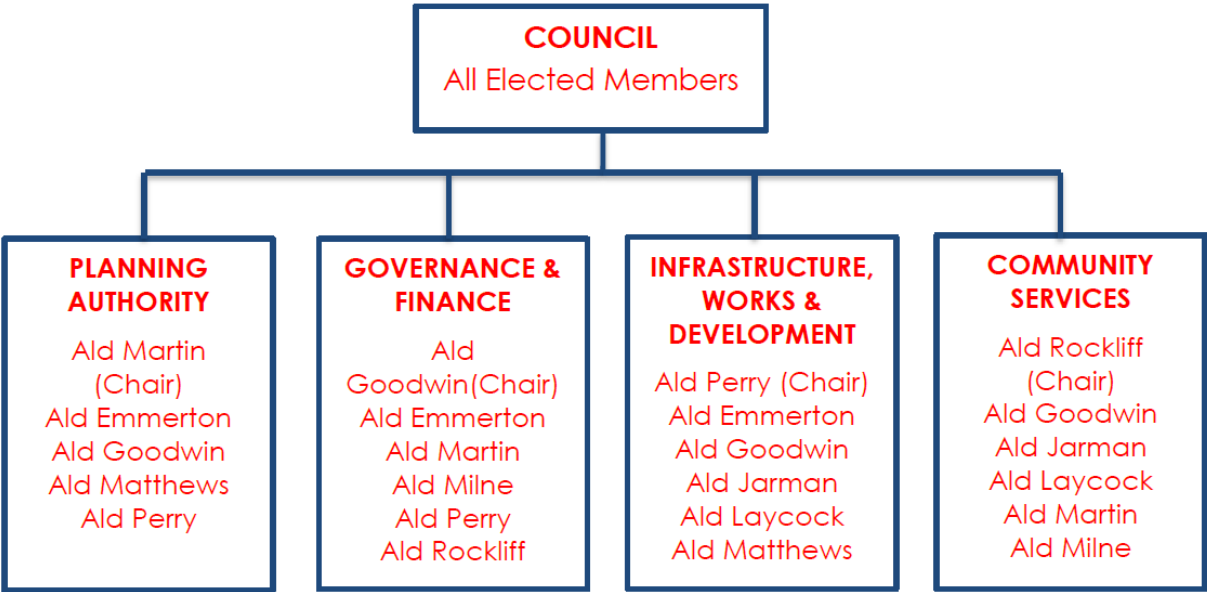
- Community Services;
- Governance and Finance;
- Infrastructure, Works and Development; and
- Planning Authority

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) usually meet on a bi-monthly basis.

Members of the public have the opportunity for input into Council activities 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. 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 to Council Officers, in accordance with Section 64 of the Act. Delegations allow for timely and efficient decision-making at an operational level.

Council is further supported by an Audit Panel, established under Ministerial Order.





Mayor's Report

As Mayor of Devonport, I am delighted to present the 2015/16 Annual Report.

This document includes a summary of Council's financial statements, achievements and future plans for how we are continuing to build a better Devonport for everyone who lives, works and visits our City.

You have told us that you love living in Devonport, but want more opportunities in terms of local jobs for our youth and a greater choice of activities and things to do.

LIVING CITY is about making our City a better place to live and visit, growing our local economy and capitalising on our strengths and opportunities.

LIVING CITY is a big leap forward for Devonport. One with risks, but with considered ones. One which will bring major economic benefits, tourism and jobs to our doorstep.

Stage 1 is just the beginning. It unlocks the land needed for the future retail, hotel, waterfront park and business precinct developments. Stage 1 lays the foundation for the connection between the waterfront and our retail precincts and is an exciting step forward in realising our vision.

The community is at the heart of LIVING CITY, with the overwhelming feedback received during the project visioning and master-planning phases is that you wanted us to address the CBD fragmentation and facilitate future CBD growth.

Stage 1 will deliver a new multi-deck car park, food pavilion, market square and multi-purpose civic building, which includes a flexible 800 seat convention space, Council offices, a state-of-the-art Devonport LINC and Service Tasmania. The new facilities are expected to be opened in two stages - in late 2017 and early 2018 respectively

During 2015/16 we also commenced upon a journey to become a learning community, with the launch of a 'Community Live + Learn Strategy' aimed at improving the learning, training and employment outcomes for the community.

This is a new direction for Devonport and one which sets out to establish a solid foundation of life-long learning within the community. It's a vision which has been created with the input of over 150 representatives from the education, community, industry, youth and government sectors.

We live in an enviable location, and as Mayor I want to ensure we all have fair and equal access to everything our City has to offer – from our outdoor public spaces, cultural facilities, public transport, services, educational institutions and the businesses that operate here.

There are many projects and initiatives in the planning phase and we delivered many new initiatives during the year. I would encourage you to take the time to read through and see with clear insight and understanding, what we do.

Finally, on behalf of Council, we would like to thank Alderman Justine Keay for her contributions to Council and welcome Alderman Tammy Milne as her replacement. I would also like to thank our hard working staff for their commitment and dedication.

On behalf of my fellow Aldermen, I present to you our Annual Report.

Ald. Steve Martin
MAYOR - CITY OF DEVONPORT



General Manager's Report

This Annual Report focuses on the financial and operational performance of Devonport City Council in 2015/16, documenting performance against the 2015/16 budget and progress against Council's Strategic Plan 2009-2030. Council's Strategic Plan focuses on five outcomes for the City:

- Living Lightly on our Environment
- Building a Unique City
- Growing a Vibrant Economy
- Building Quality of Life
- Practicing Excellence in Governance

It also underpins the development of the Annual Plan and budget estimates each year. This Annual Report includes both the highlights and challenges of Council's performance and an overview of the future.

Council was able to deliver a strong underlying surplus of \$3 million for the 2015/16 financial year, which was higher than the budgeted \$66,000 surplus due to a number of factors, including higher than expected revenue and Council's continued focus on identifying operational efficiencies.

The continued growth in Council's underlying surpluses over the last four years is a good indicator of Council's financial sustainability and helps Council manage its debt repayments and maintain appropriate levels of cash reserves.

Council commenced construction on Stage 1 of LIVING CITY in June 2016, the culmination of many years of research and planning, and the start of what will be a decade of rejuvenation and reinvigoration for the centre of Devonport. After a period of further community consultation, Council adopted the Stage 1 Project Funding Model in March 2016. Stage 1 is now expected to cost approximately \$68.3 million, which will be funded in part by \$10 million from the Federal Government's National Stronger Regions Fund Grant, \$10 million from the Tasmanian Government and \$11 million from Council's cash reserves. The remainder is to be funded through loan borrowings approved by Council.

Council's offices were temporarily relocated to 17 Fenton Way, the former Harvey Norman building, in June 2016, with building salvage rights for the former Council Chambers awarded to the Devonport Surf Life Saving Club, to assist with their fundraising.

During the year Council completed \$12.6 million of capital works and approved an estimated \$89 million worth of development. Council consulted with the community on a range of issues and matters, including a Parking Strategy and revised Dog Management Policy. Council resolved to create a new contemporary cultural and arts centre by integrating the Devonport Regional Gallery into the Devonport Entertainment Centre.

I would like to express my appreciation to the Mayor and Aldermen for their support during the past 12 months. I would also like to thank the staff for their hard work and dedication during the year. Council remains focused on working with the community and partners to ensure that Devonport becomes a strong, thriving and welcoming regional city, and a great place to live, work and invest.

PAUL WEST
GENERAL MANAGER



The Council



L-R: Ald Leon Perry; Ald Jeff Matthews; Ald Justine Keay (resigned 26 May 2016); Deputy Mayor, Ald Annette Rockliff; Mayor, Ald Steve Martin; Ald Charlie Emmerton; Ald Alison Jarman; Ald Lynn Laycock; Ald Grant Goodwin
Inset: Ald Tammy Milne (elected 2 June 2016)

Summary of Decisions by Council in 2015/16:

Meeting	No. of Meetings	Open Session Items	Closed Session Items	Total	% items dealt with in Closed Session
Council*	14	196	43	239	18.0%
Governance & Finance Committee	5	42	2	44	4.5%
Infrastructure, Works & Development Committee	6	43	1	44	2.2%
Community Services Committee	6	54	1	55	1.8%
Planning Authority Committee	7	10	-	10	-
TOTAL	38	345	47	392	12.0%

* Includes a Special Meeting and the Annual General Meeting



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



Aldermen Attendance Statement

Period 1 July 2015 to 30 June 2016										
	COUNCIL	WORKSHOP SESSIONS	Community Services		Governance & Finance		Infrastructure, Works & Development		Planning Authority	
NO. MEETINGS	14	21	6		5		6		7	
			Member	Non-Member	Member	Non-Member	Member	Non-Member	Member	Non-Member
Mayor Ald Martin	13	16	4	-	3	2	-	1	5	-
Ald Emmerton	12	18	1	2	4	-	5	-	5	-
Ald Goodwin	13	19	5	-	4	-	6	-	7	-
Ald Jarman	14	18	6	-	-	1	6	-	-	-
Ald Keay (resigned 26/5/16)	13	13	5	-	5	-	-	-	-	-
Ald Laycock	14	17	5	-	-	5	3	-	-	-
Ald Matthews	12	15	-	2	-	3	4	-	3	-
Ald Milne (elected 2/6/16)	1	1	-	1	-	-	-	1	-	-
Ald Perry	13	19	-	1	4	-	6	-	6	-
Ald Rockliff	12	20	5	-	4	-	-	3	1	-

The following Aldermen were appointed as additional members of Committees from October 2015:

Ald Goodwin - Community Services

Ald Martin - Governance & Finance

Ald Laycock - Infrastructure, Works & Development



Aldermen Allowances & Expenses

Alderman	Mayoral Allowance \$	Deputy Mayoral Allowance \$	Aldermen's Allowance \$	Mileage \$	iPads \$	Conference / Professional Development Attendance \$	Travel, Accommodation & Medical Expenses \$	Meeting Expenses \$	Phone \$	Other \$	Total \$
Mayor Martin	50,486		20,338	12,096	408	1,214	3,343	448	1,081	195	89,609
Ald Emmerton			20,338		408						20,746
Ald Goodwin			20,338		408	800	783				22,329
Ald Jarman			20,338		408	800	127				21,673
Ald Keay			19,300		374						19,674
Ald Matthews			20,338		408						20,746
Ald Milne			1,555		34	855					2,444
Ald Laycock			20,338		408	1,350	746				22,842
Ald Perry			20,338		408						20,746
Deputy Mayor Rockliff		15,896	20,338		408	832	544				38,018
TOTAL YEAR TO DATE	50,486	15,896	183,559	12,096	3,672	5,851	5,543	448	1,081	195	278,827
Budget	50,700	15,850	199,486	12,100	4,300	14,000	8,500	1,000	1,400	-	307,336
BALANCE UNSPENT	214	-46	15,927	4	628	8,149	2,957	552	319	-195	28,509
% Spent Year to Date	100%	100%	92%	100%	85%	42%	65%	45%	77%	-	91%

Note: Council provides a motor vehicle for use by the Mayor - the cost of this vehicle is shown in the mileage column.

Ald Keay resigned 24 May 2016 - Ald Milne elected 2 June 2016



Community Representation

Local Government

Local Government Association of Tasmania
Ald Martin; Proxy - Ald Rockliff

Shareholdings in Corporations

TasWater
Ald Goodwin; Proxy – Ald Perry

Membership/Joint Authorities

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

Cradle Coast Authority
Ald Martin & Ald Goodwin

Controlling Authorities & Board Membership

Maidstone Park Management Controlling Authority
Ald Martin & Ald Rockliff
Tasmanian Arboretum Inc
Ald Rockliff

Strategic Special Committees

Arts, Culture and Tourism
Ald Jarman; Ald Keay; Ald Laycock; Ald Milne
(Ald Milne replaced Ald Keay)

Community Development
Ald Emmerton; Ald Martin; Ald Rockliff

Sport and Recreation
Ald Matthews; Ald Perry; Ald Rockliff

Special Interest Groups/Working Groups

Building Families Special Interest Group
Ald Rockliff (Replaced Ald Keay)

Community Safety Liaison Special Interest Group
Ald Martin

Devonport Food and Wine Working Group
Ald Goodwin & Ald Laycock

Maritime & Heritage Special Interest Group
Ald Laycock

Devonport Oval Advisory Special Committee
Ald Laycock & Ald Perry

Devonport Regional Gallery Special Interest Group
Ald Jarman

Devonport Sister City Special Committee
Ald Rockliff

East Devonport Special Interest Group
Ald Jarman; Ald Rockliff; Proxy - Ald Emmerton

General Manager's Performance Review Committee
Ald Martin; Ald Goodwin; Ald Laycock; Ald Perry; Ald Rockliff (Ald Goodwin replaced Ald Keay)

Financial Assistance Working Group
Ald Martin; Ald Goodwin; Ald Keay; Ald Emmerton (Ald Emmerton replaced Ald Keay)

Learning Communities Special Interest Group
Ald Martin & Ald Milne; Proxy - Ald Jarman (Ald Milne replaced Ald Keay)

Mayor's Charitable Trust
Ald Martin; Ald Rockliff; Ald Emmerton

Public Art Advisory Special Interest Group
Ald Milne; Ald Matthews; Ald Jarman (Ald Milne replaced Ald Keay)

External Committees

Cement Australia Railton Community Consultation Committee
Ald Goodwin

Mersey Leven Emergency Management Committee
Ald Martin

Tas Suicide Prevention Committee - LGAT Representative - Ald Rockliff

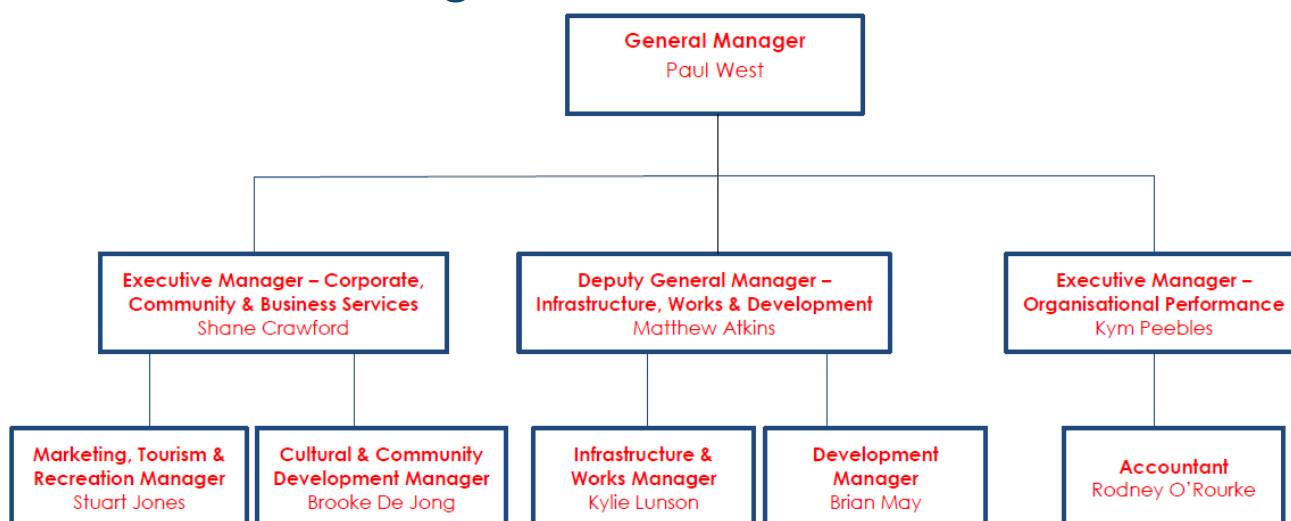
Statutory Council Committees

Code of Conduct Panel
Ald Keay; Ald Laycock; Ald Perry (Disbanded May 2016 due to adoption of Model Code of Conduct)

Audit Panel
Ald Emmerton; Ald Goodwin; Proxy - Ald Perry



Organisation Structure



Workforce Profile

Category	Full-Time	Part-Time	Casual
Male	84	4	15
Female	38	22	12
TOTAL	122	26	27
General Manager	1		
Executive Managers	2	1	
Administrative/Technical	59	11	4
Operations/Works	53	4	1
Facilities/Satellite Sites	6	10	22

The effective full time equivalent (FTE's) engaged by Council during the year was 146.

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 2016
\$250,000 - \$270,000	1
\$210,000 - \$250,000	-
\$190,000 - \$210,000	1
\$170,000 - \$190,000	-
\$150,000 - \$170,000	1
\$110,000 - \$150,000	-
\$90,000 - \$110,000	1
Total	4

Note: The remuneration includes cash salary, superannuation and reportable benefits.

The General Manager's gross cash salary for the 2015/16 financial year was \$225,595. The total remuneration package was \$269,000 (including superannuation and reportable benefits).

Governance and Management Checklist

Governance & Management Items	Assessment
Community Engagement Policy (outlines Council's commitment to engaging with the community on matters of public interest)	Adopted by Council July 2015.
Community Engagement Guidelines (assists staff to determine when and how to engage with the community)	Community Engagement Policy adopted in July 2015, incorporating engagement principles.
Annual Plan	Adopted by Council 27 June 2016.
Annual Budget (sets out services to be provided and initiatives to be undertaken over the next 12 months and the funding and other resources required)	Adopted by Council 27 June 2016.
Asset Management Plans (sets out asset maintenance and renewal needs for key infrastructure classes for at least the next 10 years)	Council has in place Long-Term Strategic Asset Management Plans. An Asset Management Strategy was adopted by Council in June 2015.
Rating Strategy (sets out the rating structure of Council to levy rates and charges)	Updated Rates and Charges Policy adopted 27 June 2016.
Risk Policy (outlines Council's commitment and approach to minimising the risks to Council's operations)	Refer to Risk Management Framework (over-arching document).
Fraud Policy (outlines Council's commitment and approach to minimising the risk of fraud)	Council has in place a Fraud Control Policy adopted by the Executive Leadership Team in September 2015.
Municipal Emergency Management Plan (plan for emergency prevention, response and recovery)	Currently utilising the Mersey-Leven Emergency Management Plan. In process of developing a Council Emergency Management Plan.
Procurement Policy (matters, practices and procedures that apply to purchases of goods, services and works)	Code for Tenders and Contracts adopted by Council in October 2014.
Business Continuity Plan (actions that will be undertaken to ensure that key services continue to operate in the event of a disaster)	Council has a Business Continuity Policy adopted by the Executive Leadership Team in March 2016. Council also has a Business Continuity Plan.
Disaster Recovery Plan (actions that will be undertaken to recover and restore business capability in the event of a disaster)	Council has in place an IT Disaster Recovery Plan and a Records Disaster Preparedness Recovery Manual is in draft and a disaster recovery plan for Bass Strait Maritime Centre is being developed.
Risk Management Framework (outlines Council's approach to managing risks to Council's operations)	Adopted by Council in September 2012.

Governance & Management Items

Assessment

Audit Committee (advisory committee of Council overseeing the integrity of Council's financial reporting, processes to manage risks to Council's operations and compliance with applicable legal, ethical and regulatory requirements)

Audit Panel, in accordance with Ministerial Orders, in place.

Internal Audit (provides analysis and recommendations aimed at improving Council's governance, risk and management controls)

Currently being explored.

Performance Reporting Framework (indicators measuring financial and non-financial performance)

Council incorporates performance indicators/KPIs in both the Annual Plan and Annual Report.

Annual Plan Reporting (reviews the performance of Council against the Annual Plan)

Progress reporting against the Annual Plan is provided through the Governance and Finance Committee.

Financial Reporting (statements comparing budgeted revenue and expenditure with actual revenue and expenditure)

Financial Report included within the Annual Report.

Risk Reporting (reporting of strategic risks to Council's operations, their likelihood and consequences of occurring and risk minimisation strategies)

Risk Register reviews and updates to strategic risks. Annual reporting to Council of Insurance Portfolio and regular risk reporting to Management Team.

Performance Reporting (reports of indicators measuring the results against financial and non-financial performance)

Council reports on its performance measures/KPIs in the Annual Report.

Annual Report (report to the community containing a report of operations and audited financial and performance statements)

In accordance with Section 72 of the *Local Government Act 1993*, Council reports annually to the community through the Annual Report.

Councillor Code of Conduct (conduct principles and dispute resolution processes to be followed by Councillors)

Council adopted the Model Code of Conduct Policy in May 2016.

Delegations (powers, duties and functions of Council and the General Manager that have been delegated to members of staff)

In accordance with Section 22 of the *Local Government Act 1993*, delegations from Council are provided to the General Manager. In accordance with Section 64 of the Act, sub delegations from the General Manager to staff are formally provided. A Delegations Register is in place.

Meeting Procedures (legislation governing the conduct of meetings of Council and Special Committees)

Council complies with the *Local Government (Meeting Procedures) Regulations 2015* in the conduct of its Council meetings

Based on the Victorian Government's '*Local Government - Better Practice Guide 2014-15*'.

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 26 August 2016.

Financial Result for the Year

Financial Summary	Actual 2015/16 \$000	Budget 2015/16 \$000
Ordinary Activities		
Total operating revenue	37,513	37,258
Total operating expenditure	35,749	36,917
Surplus/(Deficit) from Ordinary Activities	1,764	341
Adjustments		
Financial Assistance Grant received in 2014/15	981	0
Loss on Disposal of Assets	(559)	(380)
Share of profit of Dulverton Regional Waste Management Authority	837	105
	1,259	(275)
Underlying Surplus/(Deficit)	3,023	66

Council has achieved a strong underlying surplus of \$3M for the 2015/16 financial year. Increased revenue and a continued focus on cost management have contributed to the positive result. As well as maintaining services to the community Council delivered the second and final 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. Council also progressed the LIVING CITY Project, finalised plans for Stage 1 construction, and relocated to new temporary premises in Fenton Way to allow for the demolition of the former Council Chambers in Best Street.

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 rate levels being essentially held at 2013/14 levels. The progressive improvement also indicates that cost management practices introduced by Council are continuing to be effective.

Underlying surplus/(deficit) \$'000



The following information aims to provide a brief summary of Council's 2015/16 financial result. Full details of Council's Financial Statements are available from page 50.

Where did Council source its revenue?

Rates and service charges make up just over 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 2015/16 \$'000	Budget 2015/16 \$'000	Variance \$'000
Rates and Service Charges	26,458	26,384	74
Fees and User Charges	5,558	5,176	382
Grants - Operating	1,286	2,335	(1,048)
Contributions - Operating	82	3	79
Investment Revenue	2,680	2,256	424
Other Revenue	1,449	1,104	345
Total Operating Income	37,513	37,258	255

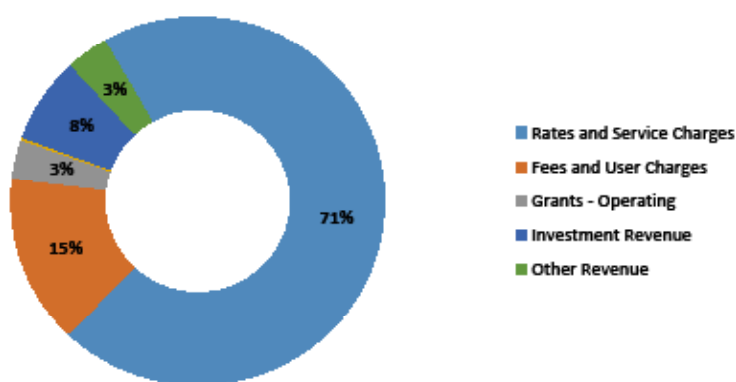
Total operating revenue was \$255K or 0.7% higher than budget. The major variations include:

- The 7.4% increase in Fees and User Charges was driven by a number of factors, including increased rental income from property leases, higher than anticipated sale of goods at Council facilities and fees at the Transfer Station. Revenue from parking increased while revenue from infringements decreased partly due to the investment by Council in the Pay-As-You-Leave Car Park in Best Street and the trial of new technology through the pay-by-phone app.
- Operating Grants were 45% below budget due to the decision by the Australian Government to pay two instalments of the 2015/16 Financial Assistance Grant to all councils in Australia in June 2015. The total prepayment of \$981K was received on 30 June 2015 and therefore, were included in the results for that year, as required by Accounting Standards.
- Interest and dividend income was 19% 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.

- Other revenue includes recovery of utility costs from tenants of Council owned properties, recovery of outstanding amounts referred to collection agencies, insurance claim refunds and commission on ticket sales through the Devonport Entertainment and Convention Centre. Council received \$103K in unbudgeted commission revenue on ticket sales and \$143K share of profits from Belgravia Leisure as part of the contract management arrangements of Splash Devonport Aquatic Centre.

Rates and service charges contributed \$26.5M or 70.5% of total Council revenue. The chart below depicts Council's operating income by source for the 2016 financial year.

Operating Income - 2016



Where was the money spent?

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

Operating Expenses	Actual 2015/16 \$000	Budget 2015/16 \$000	Variance \$000
Employee Benefits	11,389	12,014	(625)
Materials and Services	11,036	11,363	(328)
Depreciation	8,666	8,813	(147)
Financial Costs	1,151	1,167	(15)
Levies & Taxes	3,126	3,127	(1)
Other Expenses	838	1,022	(184)
Internal Charges and Recoveries	(457)	(589)	132
Total Operating Expenditure	35,749	36,917	(1,168)

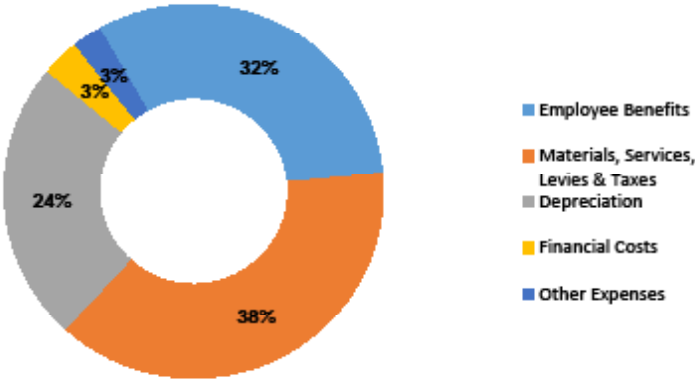
Total operating expenditure was \$1.168M or 3.16% less than budget. The major variations include:

- A reduction in the number of full time equivalent employees (FTE) from a budget of 152 to 146, together with other employee related savings, resulted in a saving of \$625K or 5.2% in employee benefits.
- Materials and services were 2.9% lower than budget. Savings included reduced operating costs for Council's plant and fleet vehicles and lower than expected expenditure on software licences.
- Depreciation expense was 1.7% lower than budget partly due to a reduction in plant and fleet numbers.

- Finance costs include all interest on borrowings, including the LIVING CITY Project and the Aquatic Centre. The 1.3% variance between actual and budget related to lower than expected bank charges.
- Other expenses include Aldermen expenses, rates remissions, community grants and donations provided, and cost of debt referred to collection agencies. The 18% reduction in other expenses when compared to budget includes a reduction in infringement debtors referred to collection agencies, and lower than anticipated rates remissions for the year.
- Internal charges relate to the level of Council resources allocated to the annual capital program. The actual was 22% 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 2015/16 financial year:

Operating Expenditure - 2016



Capital Expenditure	\$'000
Council delivered \$12.6M in capital expenditure across the following areas:	
• Open Space & Recreation	1,554
• Facilities	165
• Stormwater	539
• Roads	4,518
• Plant & Fleet	436
• Other Equipment	223
• LIVING CITY Project	5,125

The 2015/16 capital expenditure increased 74% in dollar terms when compared to the previous year, reflecting the progress of the LIVING CITY Project. The purchase of the site at 74 Rooke Street during the year secured the final piece of land required for the proposed waterfront precinct development. A substantial deposit was paid to secure the properties in Steele Street to allow for the development of a car park to service the new TasWater Regional Office and the growing business precinct in southern Rooke Street. The roads program included the continued renewal of William Street and work in East Devonport on Torquay Road. Council continued development of the memorial garden and modern burial system at the Mersey Vale Cemetery. The upgrading of public toilets and parenting facilities in the Four Ways Car Park and Pioneer Park in East Devonport were also progressed during the year.

The capital program was partly funded by capital grants from the Australian and Tasmanian Governments, totalling \$1.3M, predominately relating to roads projects.

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 41 of the Financial Statements.

Indicator	Council Target	2015 Actual	2016 Actual
Financial operating performance			
Underlying surplus ratio	0% - 15%	6.04%	7.69%
Liquidity position			
Current Ratio	1:1 or greater	3.55:1	3.02:1
Cash \$000	3,000	18,658	16,787
Net financial liabilities \$000		(6,858)	(7,605)
Net financial liabilities ratio	0% to (50%)	(17.75%)	(19.34%)
Net interest cost	below 5%	1.44%	1.39%
Asset management performance			
Asset consumption ratio - roads	40% to 60%	46%	45%
Asset sustainability ratio	60% to 100%	43%	58%

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.

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 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 \$3M. While cash balances decreased by \$1.87M during the year due to increased capital expenditure, the balance remains well in excess of the minimum requirement.

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. Despite cash reserves decreasing, the net financial liabilities position and ratio is well within the benchmark range set by the Tasmanian Audit Office.

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 41 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 remains below the benchmark but has improved significantly from the previous year.

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 regular asset management practices.

We spent
\$5.0M
improving our road assets



We invested
\$5.1M
in LIVING CITY



We raised
\$32.0M
from rates, fees & charges



We received
\$1.3M
in capital grants



We managed
\$665.6M
worth of land and infrastructure assets



We spent
\$4.7M
on parks, reserves and sports grounds



We spent
\$1.7M
on stormwater maintenance



We spent
\$4.05M
on waste management
(excludes internal charges)



We spent
\$7.0M
on arts, culture, marketing, events and recreation



Note: Invested = Capital Expenditure; Spent = Operational Expenditure (including Depreciation)

Asset Management

Council owns and maintains over \$665M worth of infrastructure assets (\$411M depreciated replacement cost) 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 Plan.

Council also developed and adopted an Asset Management Strategy to further the 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 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.



Revaluation of Infrastructure Assets

Council undertakes a scheduled revaluation of infrastructure assets which are valued in accordance with AASB 116 – Property Plant and Equipment and AASB 113 – Fair Value Measurement. Current replacement costs are calculated (except land and buildings) using current construction costs or by detailed estimations provided by qualified or experienced staff. As part of the asset revaluation useful lives are reviewed and amended if required.

Transport infrastructure assets were revalued fully in 2016 which resulted in a reduction in replacement asset cost of \$4.4M (-1.6%) and accumulated depreciation of \$1.5M.

Summary - All Road Asset	Pre-Valuation (\$M)	Post-Valuation (\$M)	Variance Amt (\$M)	Variance %
Asset Cost	\$268.4	\$264.0	-\$4.4	-1.6%
Accumulated Depreciation	\$147.6	\$146.0	-\$1.6	-1.1%
Written Down Value	\$120.8	\$118.0	-\$2.8	-2.4%

Note: Exclusive of internal transfers.

This reduction came about as a result in favourable contracting rates in a competitive marketplace and minor changes in the treatment of pavement assets. Other assets classes were revalued by applying Australian Bureau of Statistics indexation values.



Quick Stats

Did you know...	This year - 2015/16	Last year - 2014/15
Population of Devonport	25,533 (2015)	25,546 (2014)
Median Age	40 years (2015)	40 years (2014)
New Citizens welcomed to Devonport	52	38
Number of Rateable Properties	12,111	12,071
Average General Rate	\$1,103.27	\$1,106.08
Total General Rate Revenue received	\$20.4M	\$20.5M
Operating Revenue received	\$37.5M	\$39.2M
Operational Expenditure	\$35.7M	\$35.5M
Capital Works completed	\$12.6M	\$7.2M
Roads	280.5km	278.6km*
Footpaths/Paths & Walkways	260.5km	258.1km
Sports Grounds	14	14
Property Certificates issued	654	584
Development Applications approved	188	161
Estimated value of Development Approvals	\$89.0M	\$31.1M
Building Permits issued	286	274
Food Premise Licences issued (Full Time Food Premises)	268	234
Immunisations administered	1,600	1,946
Dogs registered	4,312	4,266
Parking Infringements issued	19,775	26,007**
People through doors at Customer Services	46,170	46,665
Number visitors to the Visitor Information Centre	48,407	47,256
Number visitors to the Devonport Regional Gallery	20,817	23,257
Number of entries to Bass Strait Maritime Centre	9,223	11,323
Number passengers on Julie Burgess	644	802
Number entries to Splash Aquatic & Leisure Centre	234,625	264,870****
Number of active Volunteers	139	141
Number of Volunteer hours recorded	8,061***	8,645
Items of Business considered by Council & S23 Committees	392	380
Total wages paid	\$9.59M	\$9.72M
Number of Full Time Equivalent staff	145.6	151.0
Percentage of Female staff	41%	43%
Percentage of Male staff	59%	57%
Staff turnover rate	10%	10%
Unleaded petrol consumed	33,766 litres	42,608 litres
Diesel consumed	187,248 litres	188,779 litres
Waste taken to landfill	15,703 tonnes	14,173 tonnes

* Revised figure for 2014/15 - incorrect figure as amount included car parks

** Revised figure for 2014/15 - incorrect figure as other infringement type included in total

*** No figures collected October 2015 - included average of the other 11 months to provide annual total

**** Revised figure for 2014/15 - incorrect figure of 424,958 was stated in 2015 Annual Report

Section 2

Performance Highlights

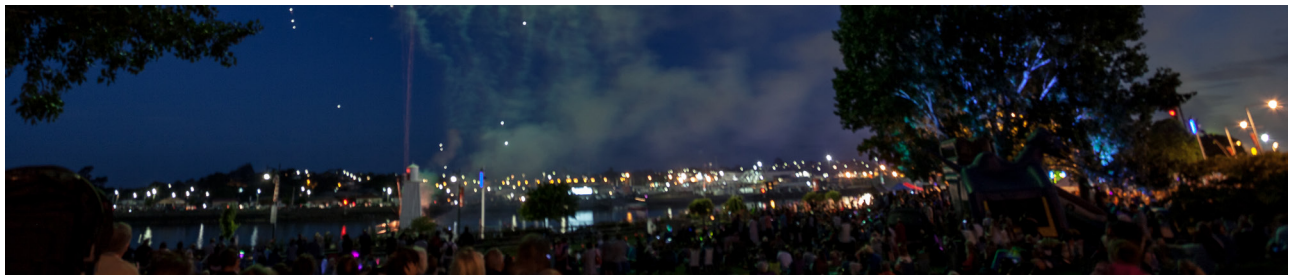
Worksafe Award:



Staff from Council's outdoor workforce were successful in winning the 'Best Workplace Health Safety Initiative' in the 2015 Worksafe Tasmania Awards, with their sign post hydraulic pin lifter initiative. The innovation reduces manual handling and projectile risks associated with the task of removing signs. Through a risk assessment and brainstorming, Council's Civil Team, comprising of Kerry Dick, Kirsten Powazuk, Rendell Allen and John Medcraft, along with Safety Officer, Phillip Bourke, developed the pin lifter. The initiative has been adapted and is now used by other councils throughout the State.

Sea FM/City of Devonport Skyfire Event:

New Year's Eve 2015 saw the Sea FM/City of Devonport Skyfire Event help bring in the New Year. The free family-focused event saw firework staged at 9.30pm and again at midnight. The event also incorporated the Lantern Dreams Garden, entertainment and children's activities.



Off-leash Dog Exercise Area:

A new off-leash dog exercise area was developed at 260 Steele Street, near the Splash Aquatic Centre. The exercise park provides dog owners with a place where they can safely exercise and socialise their dogs.

20th Anniversary Sister Cities:

Celebrations to mark the 20th Anniversary of the Sister City relationship between Devonport and Minimata were held during the year. A community delegation visited Minimata in Japan in April 2016, where they met with a range of civic, business and community representatives. A Reunion Picnic was held in Devonport in April to mark the special anniversary. A delegation from Japan will visit Devonport in early 2017.

Spirit of Devonport Ferry Launch:

The re-launched Mersey River Ferry Service, the 'Spirit of Devonport' was officially launched on 23 October 2015. A local group of philanthropists banded together to purchase the pontoon located on the western side of the Mersey River to enable the Ferry operator, Mersey Link, to again offer a trans-Mersey ferry service. The pontoon was gifted to Council, who assumed management and future maintenance of the asset.





LIVING CITY Progress:

- Appointed Ben Milbourne as LIVING CITY Food Ambassador. Ben has been assisting Council with the promotion of the Food Pavilion which is to be constructed as part of Stage 1 of the Project.
- Expressions of Interest were sought from food businesses interested in being part of the LIVING CITY Food Pavilion.
- Development Applications for Stage 1 of the LIVING CITY Project were lodged in November 2015. The application included the multi-purpose civic building, multi-level car park, Food Pavilion and outdoor Market Square.
- Council welcomed the Tasmanian Government's \$13 million funding package towards Stage 1 of LIVING CITY, which includes a \$10 million cash contribution, transfer of land on which the Devonport LINC is situated (valued at \$1 million) and \$2 million towards the fitout of the LINC.
- The LIVING CITY Stage 1 Project Funding Model was adopted following a period of community consultation and a public information session.
- TasWater confirmed they would be relocating their North West Headquarters to Devonport as part of LIVING CITY'S Southern Precinct.
- Council relocated its offices to 17 Fenton Way, in order to commence the demolition of the former Council Chambers site at 44-48 Best Street, as part of Stage 1 of the Project.



Devonport Food and Wine Festival 2016:

Another successful Devonport Food and Wine Festival was held from 27 February – 31 March 2016. A focus on food miles was promoted, whereby Tasmanian produce was promoted as not only being world class, but locally sourced. This year's Festival Ambassador was acclaimed Melbourne restaurateur, author and TV presenter, Scott Pickett, with the "Scott Pickett Experience" held on 12 March. Other Festival highlights included 'Concert in the Vines' at Ghost Rock Vineyard; 'High Tea' at Home Hill; 'Bluff Sunset Degustation Dinner' hosted by Drift Café; and the annual Devonport City Lions Club's 'Taste the Harvest'.



Launch of new website:

Council unveiled its new look website on 20 August 2015. The new customer friendly site makes it easier and faster for users to navigate and locate the information they are searching for. The simplified menu and layout focuses on Council's core services and users "top tasks".

Live and Learn Strategy Launch:



The Devonport Community Live and Learn Strategy was launched in November 2015. The launch of the Strategy was a significant milestone for the Devonport community, being the City's first 'learning communities' strategy. The Strategy was developed by the Learning Communities Special Interest Group, and representatives from the community, business and industry, youth, government and education sectors. The Strategy will enable Devonport and the surrounding area to capitalise on opportunities and to develop Devonport as a place to live and learn.



Australia Day Award Celebrations

On 26 January 2016, Council celebrated Australia Day by holding a joint Citizenship Ceremony and presentation of Australia Day Awards at the Devonport Entertainment and Convention Centre. 11 people officially became Australians during the formal Citizenship Ceremony. Following the Citizenship Ceremony, Council announced the recipients of its 2016 Australia Day Awards. The Australia Day Ambassador was the current Chair of the Multicultural Council of Tasmania, Mr Alphonse Mulumba.

Citizen of the Year – Toni Muir has made an outstanding contribution to the community over 25 years through her work with St. Vincent de Paul. Toni managed five local Vinnies shops, before becoming the Devonport Regional Manager (all in a voluntary capacity), until her recent retirement. Toni has also held many other roles including board member of the Mount St. Vincent Nursing Home, a member of the Devonport Mayor's Charitable Trust Fund and numerous other committees.

Young Citizen of the Year – Declan Vertigan was named Young Citizen of the Year for his contribution to re-developing the maritime section of Devonport, through his studies for a Masters Degree in Architecture at the University of Tasmania. Declan's work on the redevelopment of the Harbourmaster Café showed great vision for the re-purposing of the building, balanced with a sensitivity for preserving the City's maritime heritage. His architectural talents have also been used to assist the Devonport Golf Club with their developments.

Community Event of the Year - White Ribbon 'Walk the Talk' Event as winner of the Community Event of the Year Award, the White Ribbon 'Walk the Talk' event was recognised for its support of a national campaign against domestic violence, as well as promotion of the local support systems available to those affected by it. The event is cooperatively organised by Devonport's four Women's Service Clubs – Soroptomist International, Zonta, Inner Wheel and the Country Women's Associations and successfully involved local schools, Council, police, fire, ambulance, the military, men's service clubs and the general community.





Key Performance Indicators

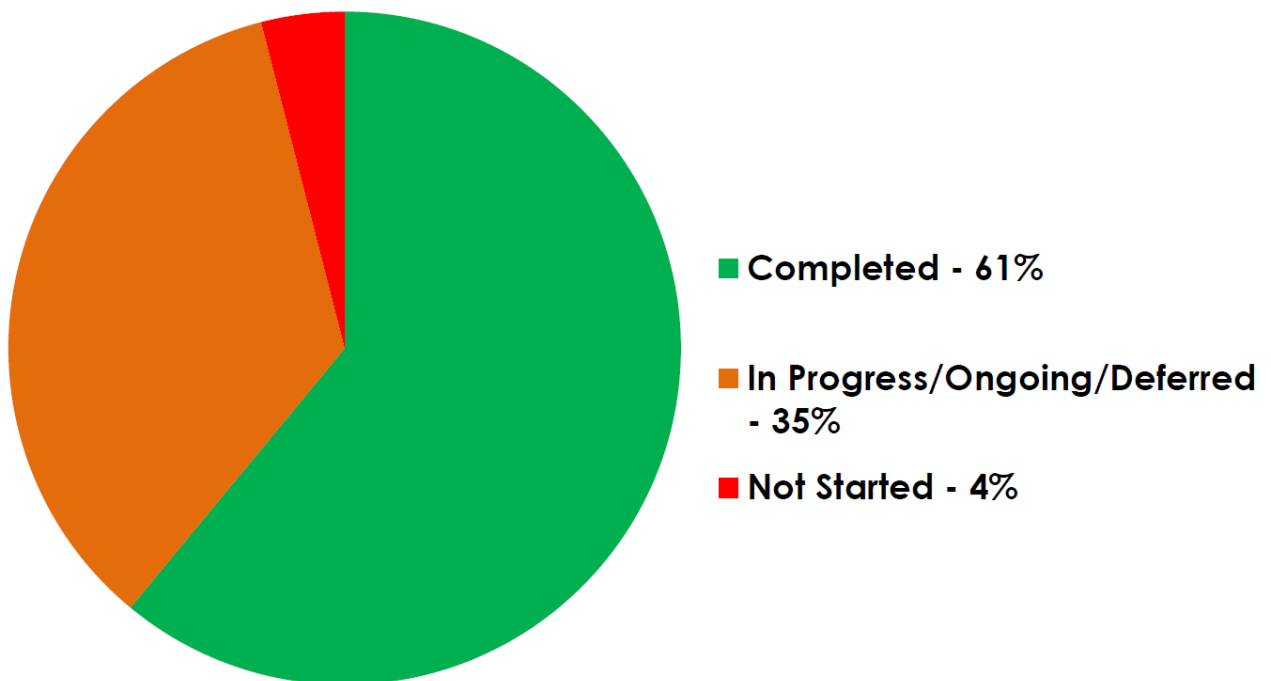
GOVERNANCE	TARGET	OUTCOME
Council decisions made during closed session of Council meetings (%)	<15%	12%
Aldermen attendance at Ordinary Council meetings (%)	>90%	93%
PERMIT AUTHORITY	TARGET	
Time taken to assess building & plumbing applications (median #days - receipt to decision)	21 days	7 days
Building & plumbing applications decided within 42 days (% decided within time frame)	100%	100%
STATUTORY PLANNING	TARGET	
Time taken to decide planning applications (median #days)	42 days	34 days
Planning applications decided within 42 days (%)	100%	100%
ANIMAL MANAGEMENT	TARGET	
Animal complaints actioned within 3 days	100%	100%
FOOD SAFETY	TARGET	
Food complaints actioned within 5 days	100%	100%
Food safety assessments undertaken (as % of registered food premises) (Inspection rates varied due to changes to Statewide Food Licencing)	100%	55%
ROADS	TARGET	
Road requests (# per 100km roads)	150	200
Cost of sealed road reconstruction (\$ per sqm)	\$85 per sqm	\$81.50
Cost of sealed local road resealing (\$ per sqm)	\$21 per sqm (30mm hotmix)	\$24.20
WASTE COLLECTION	TARGET	
Cost of domestic kerbside garbage bin collection service (\$ per week per property)	\$2.50	\$2.37
Cost of domestic kerbside recyclables bin collection service (\$)	\$2.05 per collection	\$2.05
Total waste to landfill (tonnes)	13,800	15,703
Entries to Waste Transfer Station (excluding recycling) (#)	28,000	30,822
OPERATIONAL POSITION	TARGET	
Adjusted underlying surplus (or deficit) (% of adjusted recurrent revenue)	Between 0-15%	7.69%
OBLIGATIONS	TARGET	
Loans & borrowings compared to recurrent revenue (as % of recurrent revenue)	Between 0 - (50%)	(19.34%)
Net interest compared to adjusted recurrent revenue (as % of adjusted recurrent revenue)	< 5%	1.39%
LIQUIDITY	TARGET	
Current assets compared to current liabilities (as % of current liabilities)	1 x Coverage	3 x Coverage
STABILITY	TARGET	
Rates compared to adjusted underlying recurrent revenue (as % of adjusted underlying recurrent revenue)	70%	67.3%
EFFICIENCY	TARGET	
Resignations and terminations as a % of average staff numbers	8%	10%
INFRASTRUCTURE	TARGET	
Asset renewal compared to depreciation (as % of depreciation)	Between 60-100% depreciation	58%



Annual Plan Action Reporting

The following section is comprised of highlights and performance against the 2015/16 Annual Plan. Of the 75 actions adopted as part of last year's Annual Plan:

- 46 - Completed
- 26 - In Progress/Ongoing/Deferred
- 3 - Not Started



LEGEND:

- ✓ Completed
- ✗ Not Started
- ➔ In Progress/Ongoing/Deferred



Revise the Fire Management Plans for the Don Reserve and Kelcey Tier Greenbelt



This action has been deferred until 2016/17

Host Beachwatch activities for community groups including volunteers, service clubs and local schools



This action not completed due to changes in resourcing requirements during 2015/16

Investigate stormwater collection and re-use options to reduce cost of irrigating



A report detailing the outcomes from the investigation was tabled at the April 2016 Infrastructure, Works & Development Committee Meeting





Monitor and participate in discussions and forums involving the proposed introduction of the single state Tasmanian Planning Scheme



Submissions about the draft State Planning Provisions closed on 18 May 2016. Council contributed to the combined LGAT response on matters which, in its opinion, required review or clarification

Review current practices regarding subdivision bonds



Two policies were presented to the June 2016 Infrastructure, Works and Development Committee meeting and were subsequently adopted at the Council Meeting

Maintain membership of the Cradle Coast Regional Planning Group during the finalisation of the Regional Interim Planning Schemes and the Statewide Planning Scheme to deliver a consistent approach to interpretation, practices and procedures



Council officers continue to be involved in discussions and hearings with the Tasmanian Planning Commission as required. It is unclear at this stage when the Interim Planning Scheme process will be completed. Development of the Statewide Planning Scheme is continuing, noting Council has met all required deadlines for provision of information

Review and update Council's Pedestrian Network Strategy



A draft strategy was prepared during the year for presentation to the August 2016 Infrastructure Works and Development Committee meeting

Review and update the Parking Strategy



Strategy completed and formally adopted at the February 2016 Council meeting

Continue to develop hydraulic modelling of the stormwater network



Hydraulic modelling of the Chinaman's Creek catchment completed in June 2016

Develop a Stormwater Connection Policy



Consultation has commenced for the drafting of a policy. This action carried forward to 2016/17

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



Condition assessment form currently being used. Asset Register updated at regular intervals

Review and update Council's Tree Policy



Tree policy was revised and adopted by Council at its July 2015 meeting

Review and update Council's Asset Management Plans



The review of the Transport Asset Management Plan is progressing. This action carried forward to 2016/17



Finalise design, permits and funding model for Stage 1 of the LIVING CITY Master Plan



Design has been finalised and development permits obtained. Sustainable funding model adopted by Council

Comply with the requirements of the Federal Government grant. Negotiate a funding agreement with the State Government for the relocation of the LINC and Service Tasmania to the new civic building



Federal grant deed signed. Agreement with State Government being finalised in preparation for Council sign off in early 2016/17

Develop LIVING CITY Stage 2 retail package and actively market the concept to potential developers and investors



Some preliminary discussions held with major retail tenants and work commenced on basic concept design layouts for Stage 2. Active marketing of the site to commence once land ownership secured



Image supplied by Isaak Cole



Identify and attract new business opportunities to the southern end of the CBD



Council was actively involved in attracting TasWater to the southern CBD, along with preparing for additional car parking to support additional businesses

Progress retail stages of the LIVING CITY Plan to a saleable package stage with permits, major leases and designs resolved



Preliminary discussions continuing with major retail tenants and work commenced on basic concept design layouts for Stage 2. Active marketing of site to commence once land ownership secured

Review the Julie Burgess service model to maximise community, member and visitor usage of the vessel



Operational analysis commenced. Financial modelling of alternate service delivery models in progress and will be presented to Council during 2016/17

Explore opportunities for the development of a creative space network to connect the arts and cultural assets and activities across the City



Proposal to relocate and expand the Devonport Regional Gallery into the existing Devonport Entertainment & Convention Centre approved by Council. A budget allocation provided in the 2016/17 Capital Works Program

Develop Devonport's Events Strategy to supplement the Cradle Coast Events Strategy



A draft Events Strategy prepared and will be referred to Council in 2016/17

Investigate cultural tourism opportunities including feasibility for the expansion of the Tidal Festival and greater involvement in the Tasmanian International Arts Festival



Expanded program development of Tidal Festival currently under way. Opportunities for involvement in the Ten Days on the Island Cultural Festival continues to be explored

Consult with professional presenters, national and state touring bodies to identify partnership opportunities



Partnerships with professional presenters has resulted in a varied program and an increase in patrons at the DECC during the year

Communicate with media and internal/external stakeholders to provide and disseminate information regarding the DECC



The Centre's 2016 Subscription Season was mailed to subscribers and an electronic version added to DECC's website. Upcoming programs and performances feature in Council publications. Monthly newspaper advertising occurred and Southern Cross Television utilised to promote upcoming performances. Website and Facebook were also actively used to promote events

Deliver an annual calendar of activities to engage the community in the performing arts



The 2015/16 Subscription Program consisted of a diverse range of performances. Performances included drama, comedy, dance and music



Strengthen combined marketing opportunities and value added experiences across destination venues ✓

Collaborative marketing campaigns have been developed and implemented for the Bass Strait Maritime Centre, Devonport Regional Gallery, Don River Railway, Home Hill and consumer destination attractions, including Ghost Rock and Anvers

Explore funding opportunities to deliver - Home Hill Garden renewal; Heritage Signage; Historic Cemetery signage ➔

Funding application unsuccessful. Items will be explored in 2016/17 financial year. Further funding submissions to be applied for in future grant rounds. Heritage trail signage concept has been developed and first interpretive signs in Reg Hope Park are likely to be installed in the first quarter of the 2016/17 financial year

Investigate and develop improved traffic management for locations within the road network with known access and connectivity issues ✓

Investigation of five sites has been completed and reported on. A report was presented to the April 2016 Infrastructure, Works and Development Committee meeting and subsequently endorsed by Council

Review Council's Signage Strategy ➔

Internal Working Group have drafted and reviewed the Signage Strategy and are preparing a prioritised list of signs to be implemented. Revised Signage Strategy to be finalised and adopted by Council in the 2016/17 financial year

Review the Public Art Policy and Guidelines to ensure public art is planned and consistent with the City's streetscape and the LIVING CITY Plan ➔

Undertaking desktop audit of other Local Government Authorities' Public Art policies and guidelines. Further investigation on incorporating ephemeral public art into guidelines. Action on hold until a city-wide Cultural Strategy is developed

Investigate opportunities for implementing IT solutions to assist with service delivery within the Infrastructure and Works Department ➔

TechOne software module for Contract Management being investigated as well as options for recording cemetery burial information. 'CI Anywhere', which will provide mobile solutions for staff, will be implemented in 2016/17

Further develop free WiFi opportunities in the City ➔

New WiFi access points and controllers have been purchased. New equipment is being configured with selected WiFi hotspot system, 'Encapto WiFi'. New access points to be installed and working before the peak tourist season for 2016/17

Establish partnerships to progress the development of the Learning Communities Framework ✓

Live and Learn Strategy endorsed by Council in October 2015, and officially launched in November 2015. Working Group continues to meet to progress ideas and actions





Undertake sport and recreation strategic planning in collaboration with stakeholders ✓

Consultation undertaken with the Devonport Gymnastics Club and the Maidstone Park Management Controlling Authority regarding a proposed new facility at Maidstone Park

Increase the number of Sports Marketing Australia events delivered ✓

A major event in Football Federation Tasmania's National Skills Acquisition Festival, was secured and held in March 2016, and has been confirmed for a further three years

Develop an Interpretation Plan ✗

This action was not commenced during the financial year

Complete Collection/Curation Plan for management of activities at the Bass Strait Maritime Centre ✓

Completed as part of the Collection Management Framework

Develop a Collection Management Framework for all Council owned collections →

Collections Management Framework in draft format to be presented to Arts, Culture and Tourism Strategic Special Committee in 2016/17

Develop promotional material to promote Devonport's heritage and places of interest ✓

Annual marketing plan developed and being implemented for the Bass Strait Maritime Centre, Devonport Regional Gallery and the Julie Burgess

Work with external stakeholders to determine the future of Tiagarra ✓

Council approved the transfer of Tiagarra to Six Rivers Aboriginal Corporation.

Work with stakeholders to develop interpretation for Home Hill to inform signage, branding and marketing activities ✗

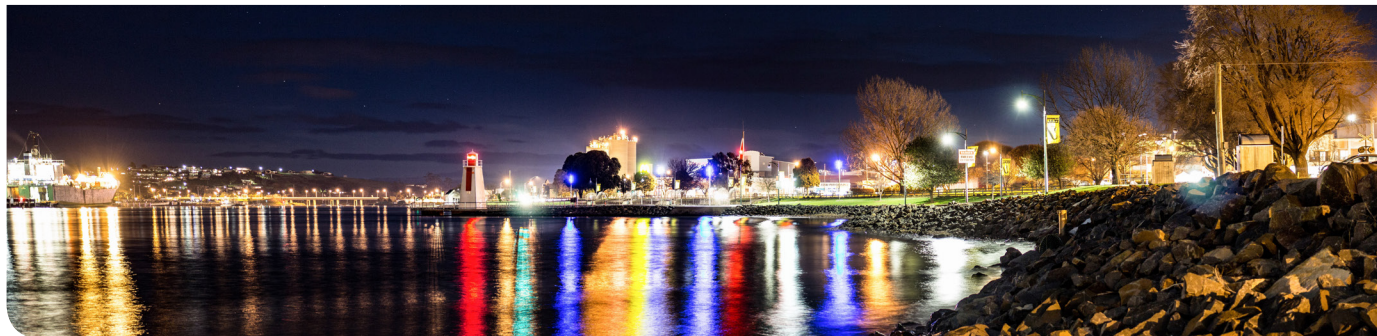
Project did not proceed as external funding was not secured

Develop an Exhibition and Public Programs Plan for the Bass Strait Maritime Centre to ensure high standards are delivered ✓

Reviewed the current Public Program Schedule. Implemented a template using the services of the Devonport Regional Gallery Director and Arts Tas Roving Curator, to develop an Exhibition Schedule

Explore a youth sailing program for the Julie Burgess and funding options →

Planning in opportunities, funding possibilities, program structures and modelling has begun. Engagement undertaken with various youth services to investigate frameworks



Develop a Public Art Strategy and undertake a public art project from inception to installation →

Aerosol Art - Community Arts Project was completed in February 2016 at Pioneer Park. Reclaim the Land Public Art piece completed in April 2016. East Devonport Public Art Project scheduled for completion in October 2017. Strategy not commenced

Further develop operational guidelines for emergency management and link to the Communications Strategy ✓

Emergency Management Plan updated to include links to Council's Communications Strategy

Provide training in respect of legislative requirements for emergency management operations ✓

Training was delivered by State Emergency Services in November 2015

Review, and where necessary, revise Council's Dog Management Policy ✓

New Dog Management Policy adopted by Council following review and public consultation process in March 2016

Introduce mobile computing services to increase the accuracy and efficiency of environmental health inspections and data collection ✓

Process to allow this to occur completed

Consider options for increasing participation through the development of a Community Health and Wellbeing Program delivered at the City's recreation centres and in public open spaces →

Consultation has commenced with key stakeholders including community houses, Arthritis, MS and Parkinson's Disease Support Group. Programs are being developed

Plan and develop activities to celebrate the 20th Anniversary of the Minimata Sister City relationship ✓

Delegate exchange to Minimata as part of 20 Year celebrations completed. Sister Cities Committee hosted a morning tea to celebrate 20 years of friendship with Minimata. Avenue of Cherry Blossom trees planted along Formby Road

Engage with young people to inform a review of Council's Youth Policy →

Initial engagement with Don College students and youth at a number of events across the summer holiday period raised a number of focus areas. Planning commenced for engagement with various stakeholders over the coming months, including Youth Week engagements



Facilitate the promotion of good news stories from Council to the local media and community



Promotion of Council's good news stories occurred throughout the year through local press, radio and Council's website, social media channels and eNewsletters

Review and update the Community Engagement Policy



Updated Community Engagement Policy adopted by Council at its July 2015 meeting

Develop and implement a contemporary Communications Strategy



A reviewed Communications Strategy is currently being finalised for review by management and Aldermen

Review Maidstone Park's governance structure



A review of the Controlling Authority's governance structure was completed

Review Legislative Audit/Compliance Register



Work has commenced on the formation of a legislative audit document. This action carried forward to 2016/17

Facilitate the implementation of Council's Lease Policies



Lease policies have been communicated to all affected groups and leases continue to be signed. Aiming to have all leases finalised during the first quarter of the 2016/17 financial year

Review Council's Committees Handbook



This action has not yet commenced due to a review of the committee structures. This action carried forward to 2016/17

Develop and implement a Change Management Strategy and Guidelines



Guideline document drafted. To be finalised

Support an effective auditable management system that assists organisational knowledge and understanding



Development of management system, including reporting, accountability and audit continues to evolve

Develop a community email database and implement monthly community e-newsletters. Provide monthly Council updates to the community through local media and community facilities/venues



Implemented in July 2015 as a regular community eNewsletter - 'Your Devonport. Your City. Online'

Review the Customer Service Charter



Review completed and updated Charter adopted at Council's May 2016 meeting



Implement e-newsletters and improved newsletter templates for all Council businesses to achieve branding consistency and improved customer communication ✓

eNewsletters are now in place for Devonport Jazz, the DECC, Devonport Regional Gallery, Sports and Recreation and the Building Families Special Interest Group. It has been agreed the Bass Strait Maritime Centre newsletter will continue in its current paper/PDF format

Undertake an ongoing analysis and review of customer complaint data and feedback with a view to generating service improvements ✓

Complaints reviewed as received, and opportunities for service improvement considered

Review financial management reports prepared for Council ✓

Review of data included in financial management reports complete

Undertake a gap analysis to assess the adequacy of the Health and Management System and compliance with Health and Safety legislation ✓

Auditor training completed and the audit tool refined. Review undertaken of Health and Safety policies, procedures and forms. A plan was developed to ensure documents are reviewed at appropriate intervals, recorded correctly and communicated to staff

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

A Service Review was undertaken by Council's insurer in February 2016 with recommendations reviewed and endorsed

Implement an internal audit function →

Options for internal audit delivery discussed with Audit Panel and preference determined. Funds allocated in the 2016/17 budget to develop and implement an Internal Audit Plan

Actively participate in professional development opportunities that promote teamwork and cooperation amongst employees ✓

Detailed training plan focusing on ethical behaviours developed and undertaken. Other targeted training undertaken during the year

Develop documented procedures and schedules for the programmed delivery of operational activities within the Works section of Council ✓

Procedures for roads and stormwater developed and implemented. Schedules for Building Maintenance updated. Procedures for cemetery operations prepared



Complete any actions from the Classification Review



Classification Review based on a Single Pay Structure drafted and associated pay levels with criteria for step increments developed for further consideration

Implement First Year actions of the Records Management Strategy



Year 1 strategic actions implemented and/or integrated within the Records program. Major projects included the move of paper based files to off-site storage and the sentencing of a select series of records

Use data to measure and improve performance of the Customer Service Team against the Customer Service Charter



Monthly reporting in place and improvements being implemented progressively

Review the accuracy and quality of information provided by the Customer Service Centre, including printed and electronic material



Review of all material displayed in the customer service area and on website completed. Improvements to the provision of accurate and quality information continuing

Prepare for Tasmanian Archives and Heritage Office audit of Council's record keeping practices



Review of checklist documentation completed in preparation for the audit



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 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.



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. In accordance with the *Public Interest Disclosures Act 2002*, Council provides information pertaining to the Act on Council's website - <http://www.devonport.tas.gov.au/Council/Council-Policies>.

During the 2015/16 Financial Year, Council received one disclosed matter referred to it by the Ombudsman.

Complaints

Sixteen 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. Eight complaints related to a failure to adhere to Council's service standards; three complaints were in relation to a Council decision; and five complaints related to staff.

Land Donations

Council did not donate any land under Section 177 of the *Local Government Act 1993* during the 2015/16 Financial Year.

Model Code of Conduct

There were no Code of Conduct complaints made against any Aldermen during the 2015/16 Financial Year.



Image supplied by Kelly Slater



Tenders & Contracting

The *Local Government (General) Regulations 2015* 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 description of the contract;
- the period of the contract;
- the periods of any options for extending the contract;
- the value of any tender awarded, or if a tender was not required, the value of the contract excluding GST;
- the business name of the successful contractor;
- the business address of the successful contractor.

CONTRACT NUMBER & CONTRACTOR / SUPPLIER	DESCRIPTION OF CONTRACT	CONTRACT OR SUPPLY PERIOD	\$ VALUE (EXCL. GST)
Contract 1290 Roadways Pty Ltd PO Box 303 Glenorchy TAS 7010	Supply, Delivery and Placement of Hot mix Asphalt	Jul 2015 to Apr 2016	\$328,231
Contract 1291 Crossroads Civil Contracting 73-79 Lilydale Road Rocherlea TAS 7248	Supply, Delivery and Placement of Bituminous Surfacing	Jul 2015 to Apr 2016	\$203,404
Contract 1292 BridgePro Engineering Pty Ltd 19 Faulkner Drive Latrobe TAS 7307	Bellamy Bridge Renewal	Dec 2015 to Jan 2016	\$147,300
Contract 1294 Gradco Pty Ltd 79-81 St Leonards Road St Leonards TAS 7250	River Road Widening Stage 3 & 4	Oct 2015 to Dec 2015	\$159,912
Contract 1296 Hardings Hotmix Pty Ltd 30 Industrial Drive Ulverstone TAS 7315	Kelcey Tier Road Pavement Renewal	Nov 2015 to Dec 2015	\$301,339
Contract 1297 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	William Street Pavement Reconstruction - Stewart to Steele Street	Oct 2015 to Dec 2015	\$303,764
Contract 33108 JF Machinery 288 George Town Road Rocherlea TAS 7248	Supply & Delivery of Backhoe	Oct 2015 to Nov 2016	\$122,400
Contract 1299 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	William Street Pavement Reconstruction - Steele to Tasman Street	Jan 2016 to Apr 2016	\$492,647



CONTRACT NUMBER & CONTRACTOR / SUPPLIER	DESCRIPTION OF CONTRACT	CONTRACT OR SUPPLY PERIOD	\$ VALUE (EXCL. GST)
Contract 1301 Oliver Kelly Construction PO Box 72 Don TAS 7310	Temporary Council Office Relocation	Jan 2016 to Mar 2016	\$190,283
Contract 1302 Civilscape Contracting PO Box 63 Ridgley TAS 7321	Torquay Road Pavement Renewal - Oak Court to Canning Drive	Jan 2016 to April 2016	\$319,040
Contract 1306 Hardings Hotmix Pty Ltd 30 Industrial Drive Ulverstone TAS 7315	William Street Stormwater Upgrade Stage 5	March 2016 - April 2016	\$186,630
Contract 1307 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	Devonport Road Reconstruction - McLeod Avenue to Horse Head Creek	March 2016 - May 2016	\$214,790
Contract 1310 Civilscape Contracting PO Box 63 Ridgley TAS 7321	Mersey Road Footpath Renewal	April to June 2016	\$133,595
Projects & Infrastructure Holdings Pty Ltd Level 1 151 Macquarie Street Sydney NSW 2000	LIVING CITY Development Management Agreement	Aug 14	\$600,000
Lyons Architects Level 3 246 Bourke Street Melbourne VIC 3000	LIVING CITY Stage 1 Architectural Services phases 1 & 2	Mar 15	\$1,209,237
Aurecon Level 8 850 Collins Street Docklands VIC 3008	LIVING CITY Stage 1 - Structural, ESD & Facade engineering	May 15	\$96,300
Fairbrother Pty Ltd 12 Stony Rise Road Devonport TAS 7310	LIVING CITY Stage 1 - Early Works Package	June 2016 - August 2016	\$383,335
Grandy and Roberts 159 Davey Street Hobart TAS 7000	LIVING CITY Stage 1 - Structural Engineering Design Development	April 2016	\$115,500



Public Health Statement

Section 72(1)(ab) of the *Local Government Act 1993* requires that Council is to provide a statement of its goals and objectives in relation to public health activities 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; Compliance 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
- Assessment of public events
- Public Health Risk Activities
- Immunisations
- Animal control
- Exhumations
- On-Site Waste Disposal Systems
- Water Carters and Private Suppliers
- 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
- By-Law Compliance
- Environmental complaints

Key Environmental Health outcomes for 2015/16 include the review and adoption of the Dog Management Policy; conducting Childhood Immunisation Sessions (27 Sessions held, 1,600 immunisations administered); 7 Safe Food Handling Sessions; and 367 Food Premises licences issued.



Image supplied by Kara Lynd



Community Grants & Events Sponsorship

Community Small Grants Recipients

Organisation	Project Title	Amount Funded (\$)
North West Film Society	Seniors Week Film (Film viewing)	\$ 418.26
Mersey Community Care	Disabled Toilet Facilities (provision of disabled toilet facilities)	\$ 3,000.00
Devonport Senior Citizens Club Inc	"We Need to Pee" (painting of toilet facilities)	\$ 3,000.00
Melrose Memorial Hall Controlling Authority	Hot Water Supply (installation of hot water cylinder)	\$ 2,100.00
Devonport Apex Regatta Association Inc	Annual Devonport Apex Regatta (Conduct of Regatta)	\$ 3,000.00
Devonport Rotary Club	World Record Attempt (washing the most number of cars in a 24 hour period)	\$ 500.00
Eastern Shore Community Connection Inc - East Devonport Community House	Tai Chi for Arthritis (Pilot program for people with movement disorders, including training and ongoing participant support)	\$ 3,000.00
Devonport Chaplaincy	Fit 2 Learn (Fitness Program promoting healthy lifestyles to young people)	\$ 1,500.00
Mersey Leven Child Care	Cultural Connections (local indigenous member undertake an art and cultural session)	\$ 3,000.00
Child and Family Centre - East Devonport	Music in the Parks (musical therapy program)	\$ 2,160.00
Mersey Yacht Club	Defibrillator (installation)	\$ 1,422.50
Wildlife Rescue and Rehab	Native Wildlife Rehabilitation Pens (portable pens)	\$ 1,336.36
Australian Breastfeeding Association	Updating local library and breast-feeding educational resources	\$ 1,386.00
Devonport Surf Life Saving Club	Delivery of Surf Life Saving Services	\$ 1,818.18
TasTafe	'Drugs and Alcohol in our Community' Event	\$ 200.00



Small Sporting Grants

Organisation	Description	Amount Funded (\$)
Devonport Judo Club	Scoring System Update	\$ 700.00
Maidstone Park Management Controlling Authority	Defibrillator	\$ 880.00
East Devonport Football Club	Flooring of Function Room	\$ 1,500.00
Devonport Tennis Club	Tennis Court Re-surfacing	\$ 3,000.00
Don Steamers Cricket Club	Outdoor Cricket Nets	\$ 3,000.00
Devonport Bowls and Croquet	Commercial Oven and Hot Plates	\$ 2,750.00
Devonport Junior Soccer Inc	2016 Devonport Cup (Soccer Tournament)	\$ 3,000.00
Dragons Abreast North West Tasmania Inc	Purchase of equipment to set up for International Standard 10 Seat Dragon Boat	\$ 3,000.00
Devonport Bulls Rugby Club	Heartsmart First Aid Defibrillator	\$ 1,201.75

Community Partnership Agreements

Organisation	Description	Amount Funded (\$)
Carols by Candlelight	Contribution towards holding event	\$ 3,000.00
City of Devonport Brass Band	Contribution towards the operations of the Band, including involvement in various civic events	\$ 10,000.00
Devonport Community House	Contribution towards the operation of the Devonport Community Gardens, The Playhouse and the Men's Shed	\$ 25,000.00
Eastern Shore Community Kids Christmas Party	Assistance in promotion and provision of resources (including tables, chairs and marquees) for the event	\$ 2,500.00
National Trust of Australia	Contribution towards the operational costs of Home Hill	\$ 28,000.00
Tasmanian Arboretum	To support the activities of the Arboretum	\$ 33,000.00
Youth, Family and Community Connections Inc	Subsidised rent for property at 64 Stewart Street for the delivery of service to support young people and their families; marketing and promotion; and assistance in funding applications	\$ 20,000.00 (In Kind)
Mersey SES	Contribution towards operating costs	\$14,888.56



Economic Development and Event Sponsorship Recipients

Organisation	Description	Amount Funded (\$)
Cradle Coast Sports and Events	2016 Devonport Triathlon	\$ 15,000.00
Cradle Coast Sports and Events	2016 Run Devonport	\$ 1,000.00
Devonport Athletic Club	Christmas Carnival 2015	\$ 5,000.00
Rotary Club of Devonport North	2016 Devonport Motor Show	\$ 2,000.00
Mersey Valley Devonport Cycling Club	Women's National Road Series and U19 Selection Races	\$ 1,000.00
Cycling Australia	Tour Tasmania	\$ 10,000.00

One Off Community Grants

Organisation	Description	Amount Funded (\$)
Rotary Club of Devonport North	Funding for Sea Walk Feasibility Study	\$ 15,000

In Kind Support

Organisation	Description	Amount Funded (\$)
Lions Club of Devonport	Staffing and Design work for Taste the Harvest 2016	In Kind
Choral Society	Contribution towards major production	In Kind

Sporting Infrastructure Grant

Organisation	Description	Amount Funded (\$)
Devonport Tennis Club	Lighting for 3 courts	\$ 24,000.00

Summary of Grants and Benefits

Purpose	Amount (\$)
Vacant Land - Rate Remission	\$ 87,443.44
Not-for-Profit/Community Organisations Rate Remissions	\$ 26,519.31
Housing Tasmania - Incentive for full payment of rates prior to 31/8/2015	\$ 4,028.82
Community Small Grants	\$ 27,841.30
Small Sporting Grants	\$ 19,031.75
Economic Development and Events Sponsorship	\$ 34,000.00
Community Partnership Agreements	\$ 136,388.56
One Off Community Grants	\$ 15,000.00
Donations to Individuals/Organisations	\$ 16,813.64
Sporting Infrastructure Grant	\$ 24,000.00
Sporting Travel Assistance Grants	\$ 1,525.00
In Kind Support	\$ 5,000.00
Transfer Station Fees	\$ 1,832.73
TOTAL	\$ 394,424.55

Section 4

Financial Statements





Independent Auditor's Report

To the Aldermen of Devonport City Council

Financial Report for the Year Ended 30 June 2016

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 2016 and the statements of profit or loss and other comprehensive income, changes in equity and 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 2016 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.

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

...1 of 2

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 responsibility does not extend to the budget figures included in the statement of profit or loss and other comprehensive income, the asset renewal funding ratio disclosed in note 41, nor the Significant Business Activities disclosed in note 3 to the financial report and accordingly, I express no opinion on them.

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

Tasmanian Audit Office



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

Hobart
 26 August 2016

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DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Profit or Loss and Other Comprehensive Income

	Note	Budget 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Income from continuing operations				
Recurrent income				
Rates and service charges	4	26,384	26,458	26,351
Fees and charges	5	5,176	5,558	5,569
Grants	6	2,335	1,286	3,281
Contributions - cash	7	3	82	57
Investment revenue from TasWater	8	1,638	1,551	1,743
Other investment revenue	9	618	1,129	891
Other income	10	1,104	1,449	1,307
Total recurrent income		37,258	37,513	39,199
Capital income				
Capital grants received specifically for new or upgraded assets	6	1,019	1,314	2,134
Contributions - non-monetary assets	7	300	2,268	3,463
Share of profit of associates accounted for by the equity method	23	105	837	411
Net loss on the disposal of property, infrastructure, plant and equipment	16	(380)	(559)	(798)
Capital works completed on assets not owned by Council	17	0	67	(1,106)
Derecognition of assets	18	0	(3,089)	0
Total capital income		1,044	838	4,104
Total income from continuing operations		38,302	38,351	43,303
Expenses from continuing operations				
Employee benefits	11	12,014	11,389	11,585
Materials and services	12	13,901	13,705	12,797
Depreciation	13	8,813	8,666	8,702
Finance costs	14	1,167	1,151	1,211
Other expenses	15	1,022	838	1,202
Total expenses from continuing operations		36,917	35,749	35,497
Result from continuing operations		1,385	2,602	7,806
Net result for the year		1,385	2,602	7,806
Other comprehensive income				
<i>Items that may be reclassified to surplus / (deficit)</i>				
Fair Value adjustment on Available for Sale Assets	22	0	1,433	671
<i>Items that will not be reclassified to surplus / (deficit)</i>				
Net asset revaluation increment / (decrement) - Council	29	0	1,901	37,846
Net asset revaluation increment / (decrement) - Associates	23	0	53	357
Total other comprehensive income		0	3,387	38,874
Total comprehensive result		1,385	5,989	46,680

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

DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Financial Position as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	19	16,975	18,658
Receivables	20	1,710	1,116
Prepayments	21	76	93
Total current assets		18,761	19,867
Non-Current Assets			
Investment in TasWater	22	85,664	84,231
Investments in associates	23	4,739	3,849
Property, plant and equipment	24	411,643	414,929
Capital work in progress	25	10,395	2,679
Total non-current assets		512,441	505,688
TOTAL ASSETS		531,202	525,555
Current Liabilities			
Payables	26	3,182	2,537
Interest bearing liabilities	27	892	985
Provisions	28	2,146	2,078
Total current liabilities		6,220	5,600
Non-Current Liabilities			
Interest bearing liabilities	27	19,615	20,507
Provisions	28	455	525
Total non-current liabilities		20,070	21,032
TOTAL LIABILITIES		26,290	26,632
NET ASSETS		504,912	498,923
Equity			
Asset revaluation reserve - Council	29	297,302	295,401
Asset revaluation reserve - Associates	29	1,468	1,415
Other reserves	30	9,266	7,833
Accumulated surplus	29	196,876	194,274
TOTAL EQUITY		504,912	498,923

DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Changes in Equity

2016					
	Asset Revaluation Reserve - Council Note 29 (i) \$'000	Asset Revaluation Reserve - Associate Note 29 (ii) \$'000	Accumulated Surplus Note 29 (iii) \$'000	Other Reserves Note 30 \$'000	Total \$'000
Balance at beginning of year	295,401	1,415	194,274	7,833	498,923
Surplus / (deficit)	0	0	2,602	0	2,602
Other comprehensive income	1,901	53	0	1,433	3,387
Transfers between reserves	0	0	0	0	0
Balance at end of year	297,302	1,468	196,876	9,266	504,912

2015					
	Asset Revaluation Reserve - Council Note 29 (i) \$'000	Asset Revaluation Reserve - Associate Note 29 (ii) \$'000	Accumulated Surplus Note 29 (iii) \$'000	Other Reserves Note 30 \$'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

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 2016

Statement of Cash Flows

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities :			
Rates and other user charges		31,404	31,492
Refunds from Australian Taxation Office for GST		1,473	1,163
Interest		541	576
Contributions		82	57
Government grants and subsidies		1,286	3,281
Investment revenue from TasWater		929	1,638
Other receipts		1,449	1,307
Payments to suppliers and employees		(25,975)	(26,344)
Finance Costs		(1,078)	(1,132)
Other payments		(838)	(913)
Net cash flows provided by operating activities	35	9,273	11,125
Cash flows from investing activities :			
Proceeds from sale of non current assets		204	234
Payments for non current assets		(12,023)	(6,989)
Capital grants		1,314	2,134
Other investments		534	296
Repayment of loans from community organisations		0	74
Net cash used in investing activities		(9,971)	(4,251)
Cash Flows from financing activities :			
Proceeds from borrowings		0	2,400
Repayment of borrowings		(985)	(928)
Net cash provided by financing activities		(985)	1,472
Net increase / (decrease) in cash and cash equivalents		(1,683)	8,346
Cash and cash equivalents at beginning of the financial year		18,658	10,312
Cash and cash equivalents at end of the financial year	19	16,975	18,658

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

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 17 Fenton Way, Devonport.
- (b) The purpose of the Council is to:
 - provide for health, safety and welfare of the community;
 - represent and promote the interests of the community;
 - provide for the peace, order and good government in the municipality.

1 Statement of accounting policies

Basis of accounting

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 and the *Local Government Act 1993 (LGA1993) (as amended)*. Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

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

This financial report has been prepared on an accrual and going concern basis. This financial report has been prepared under the historical cost convention, except where specifically stated in Notes 22, 24, 27 and 28.

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 38.

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 28.

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 31.

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 24.

Investment in water corporation

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

1 Statement of accounting policies (continued)

(b) Adoption of new and amended accounting standards

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (effective from 1 July 2015)

The completion of AASB project to remove Australian guidance on materiality from Australian Accounting Standards with the issue of the final amending standard to effect the withdrawal of AASB 1031 Materiality. Guidance is now located in AASB 101 *Presentation of Financial Statements*.

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

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

AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities (effective from 1 July 2016)

The amendment provides relief to not-for-profit public sector entities from certain disclosures about the fair value measurement of property, plant and equipment held for their current service potential rather than to generate net cash inflows that is categorised within Level 3 of the fair value hierarchy.

(c) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below. *(Note: standards are applicable to reporting periods beginning on or after the effective date referred to below).*

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

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

The application of this standard will result in additional disclosures reported in the annual financial statements.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

1 Statement of accounting policies (continued)

- (ii) 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.

The application of this standard is not expected to impact Council.

- (iii) AASB 2014-9 *Amendments to Australian Accounting Standards - Equity method in Separate Financial Statements* (effective from 1 January 2016)

Under this amendment, the use of the equity method in separate financial statements in accounting for associates, joint ventures and subsidiaries is allowed.

The application of this standard is not expected to impact Council.

- (iv) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (effective from 1 January 2016)

Amendments to existing accounting standards, particularly in relation to:

IFRS 5 - guidance on changes in method of disposal;

IFRS 7 - clarifies 'continuing involvement for service contracts and also clarifies offsetting disclosures are not specifically required in interim financial statements, but may be included under general requirements of IAS 34;

IAS 19 - clarifies that discount rates used should be in the same currency as the benefits are to be paid; and

IAS 34 - clarifies that disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

The application of this standard is not expected to impact Council.

- (v) AASB 1057 *Application of Australian Accounting Standards*, AASB 2015-9 *Amendments to Australian Accounting Standards - Scope and Application Paragraphs* (effective from 1 January 2016)

The AASB has reissued most of its Standards (and Interpretations) that incorporate IFRSs to make editorial changes. The editorial changes will enable the AASB to issue Australian versions of IFRS more efficiently. As part of the reissuance, the AASB has moved the application paragraphs that identify the reporting entities and general purpose financial statements to which the pronouncements apply to a new Standard, AASB 1057 *Application of Australian Accounting Standards*. However, the technical application requirements have not been amended.

The application of this standard is not expected to impact Council.

- (vi) 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 irrevocable election has been made to present in other comprehensive income changes in the fair value of an equity instrument not held for trading.

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 any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2016

1 Statement of accounting policies (continued)

- (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 2018)

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.

The impact of the standards application has not been assessed at balance date due to its effective date.

- (viii) AASB 16 *Leases* (effective from 1 January 2019)

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

The impact of the standards application has not been assessed at balance date due to its effective date.

- (ix) *Disclosure Initiative - Amendments to AASB 107* (effective from 1 January 2017)

Amendments to AASB 107 will see the introduction of additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values).

- (d) **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.

- (e) **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.

- (f) **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.

- (g) **Rounding**

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

- (h) **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 2016

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			
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Corporate	1,071	27,021	8,937	19,155	104,680
Community, Cultural & Recreation	269	1,449	7,129	(5,411)	4,545
Parking	0	2,642	1,362	1,280	9,383
Economic Development	0	720	1,539	(819)	12,157
Roads	1,260	1,320	7,647	(5,067)	126,619
Stormwater	0	844	1,885	(1,041)	68,093
Waste Management	0	3,982	4,086	(104)	2,286
Parks & Gardens	0	343	4,736	(4,393)	163,850
Buildings	0	3	497	(494)	36,214
Infrastructure Administration	0	121	(60)	181	3,251
Regulatory Services	0	887	1,572	(685)	124
TOTAL	2,600	39,332	39,330	2,602	531,202

Prior Year

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	0
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

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

	2016 \$'000	2015 \$'000
Current assets	18,761	19,867
Non-current assets	512,441	505,688
	531,202	525,555

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

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
Elected Members Support
Risk Management
Human Resource Management
Information Technology
Payroll Services
Accounting & Finance
Customer Services

COMMUNITY, CULTURAL AND RECREATION

This Program includes the following activities

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

ECONOMIC DEVELOPMENT

This Program includes the following activities

Living City Project
Economic Development

PARKING

Parking

ROADS

This Program includes the following activities

Roads maintenance
Street Lighting

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 Permit Authority
Plumbing Assessment & Inspections
Environmental Health Services
Animal Control

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

3 Significant business activities

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

		2016		
		Parking	Waste Management	Devonport Entertainment & Convention Centre
		\$'000	\$'000	\$'000
Operating Statement				
Revenue				
Fees and charges		1,629	3,975	282
Donated assets		0	0	0
Other		1,013	0	136
Grants and contributions		0	0	0
Total revenue		2,642	3,975	418
Expenses - Direct				
Employee costs		295	457	405
Materials and services		749	3,581	364
Levies and taxes		170	3	36
Total expenses (before depreciation)		1,214	4,041	805
Capital costs				
Depreciation expense		148	45	157
Opportunity cost of capital	2.5%	229	56	106
(Gain) / loss on sale of non-current assets		0	0	0
		377	101	263
Competitive neutrality adjustments				
Loan guarantee fees		0	0	0
		0	0	0
Calculated surplus / (deficit)		1,280	(111)	(544)
Income Tax Equivalent Rate 30%				
Income tax equivalent		384	0	0
Total fully attributed costs		1,975	4,142	1,068

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

3 Significant business activities (cont)

Operating Statement

Revenue

Fees and charges
Donated assets
Other
Grants and contributions
Total revenue

Expenses - Direct

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

Capital costs

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

Competitive neutrality adjustments

Loan guarantee fees

Calculated surplus / (deficit)

Income Tax Equivalent Rate 30%

Income tax equivalent
Total fully attributed costs

2015

Parking

\$'000

1,502
0
1,197
2
2,701
310
961
103
1,374
142
224
0
366
0
0
1,185
356
2,096

Accounting policy

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality that Parking and Waste Management as defined above are considered significant business activities. In the past Roads and Stormwater functions had been disclosed, however these activities have been removed from the note as they did not satisfy the assessment criteria. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees. In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

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

Waste Management and the Devonport Entertainment and Convention Centre have been identified as a significant business activity for the first time in 2016 and as such no comparative data is disclosed for 2015.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

4 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*.

	2016 \$'000	2015 \$'000
General rates	20,454	20,512
Penalty income from overdue rates and charges	115	114
Waste management rates & charges	3,450	3,422
Fire Service Levy	<u>2,439</u>	<u>2,303</u>
Total rates and service charges	<u>26,458</u>	<u>26,351</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.

Accounting Policy

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

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

5 Fees and charges

Admission charges	224	232
Animal registrations	97	96
Cemetery fees	201	187
Certificate charges	186	161
Development fees	367	388
Equipment hire fees	14	9
Facility hire	207	225
Fines	734	873
Licences	74	70
Parking fees	1,629	1,502
Property leases & rental	1,065	1,133
Sales of goods	235	229
Waste management fees	525	464
Total fees and charges	5,558	5,569

Aging analysis of contractual receivables

Refer to Note 40e for the aging analysis of contractual receivables.

Accounting Policy

Fees and fines

Fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for impairment is recognised when collection in full is no longer 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.

Property leases and rentals

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

Operating leases as lessor

Council is a lessor and enters into agreements with a number of lessees. These include commercial and non-commercial agreements. Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease of the term.

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 may be 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, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis. As stated in Note 24, 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.

Sale of goods

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
6 Grants		
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	414	1,123
Commonwealth Government Financial Assistance Grants - Roads	570	1,843
Arts	63	63
Community projects	150	154
Roads	87	87
Youth activities	2	3
Energy Efficiencies	0	8
Total recurrent grants	1,286	3,281

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 below that originally budgeted in 2015/16 by \$981,251.

Capital grants received specifically for new or upgraded assets

Roads to recovery	1,069	374
Black Spot Program	85	140
Community projects	0	127
State Government - Road Projects	105	1,200
Community Energy Efficiency Program	55	293
Total capital grants	1,314	2,134
Total grants	2,600	5,415

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	0	981

Accounting Policy

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

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

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
6 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>981</u>	<u>0</u>
7 Contributions		
Contributions - cash		
Training contributions	1	24
Sundry	63	33
Developer Contribution	<u>18</u>	<u>0</u>
Total contributions - cash	<u>82</u>	<u>57</u>
Contributions - non-monetary assets		
Infrastructure from developers at fair value		
Land	440	51
Roads	964	636
Stormwater	842	336
Other infrastructure	<u>22</u>	<u>26</u>
Total contributions from developers	<u>2,268</u>	<u>1,049</u>
Assets at initial recognition - non-monetary assets		
Infrastructure taken up at fair value		
Land	0	2,103
Buildings	<u>0</u>	<u>311</u>
Total assets at initial recognition - non monetary	<u>0</u>	<u>2,414</u>
Total contributions - non monetary assets	<u>2,268</u>	<u>3,463</u>
Total contributions	<u>2,350</u>	<u>3,520</u>

Accounting Policy

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

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably.

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
8 Investment revenue from TasWater		
Dividend revenue	1,110	1,208
Tax equivalent	308	408
Guarantee fee	<u>133</u>	<u>127</u>
Total investment revenue from TasWater	<u>1,551</u>	<u>1,743</u>

Accounting Policy

Distributions are recognised when Council's right to receive payment is established.

9 Other investment revenue

Interest received from investments	563	575
Dulverton Regional Waste Management Authority	<u>566</u>	<u>316</u>
Total other investment revenue	<u>1,129</u>	<u>891</u>

Accounting Policy

Interest is recognised progressively as it is earned.

Distributions are recognised when Council's right to receive payment is established.

10 Other income

Commission	273	225
Recoverables	459	468
Miscellaneous	<u>717</u>	<u>614</u>
Total Other revenue	<u>1,449</u>	<u>1,307</u>

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
11 Employee benefits		
Total wages and salaries	8,475	8,635
Annual long service leave entitlements	1,123	1,089
Superannuation (Note 31)	<u>1,089</u>	<u>1,107</u>
	10,687	10,831
Other employee related expenses	<u>993</u>	<u>1,067</u>
	11,680	11,898
Less amounts capitalised	<u>(291)</u>	<u>(313)</u>
	<u>11,389</u>	<u>11,585</u>

Accounting Policy

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

12 Materials and services

Advertising, printing & other office costs	412	365
Computer services and maintenance	375	444
Consultants	452	435
Contractors	4,911	4,264
General - services & materials	1,391	1,382
Insurance	262	277
Levies & taxes	3,126	2,659
Memberships - organisations	264	275
Plant expenses	578	657
Professional services	208	337
Telephone & postage services	135	139
Utilities	<u>1,591</u>	<u>1,563</u>
	<u>13,705</u>	<u>12,797</u>

Accounting Policy

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
13 Depreciation		
Parks and open space	185	177
Buildings	1,269	1,355
Plant	626	638
Furniture and fittings	529	581
Roads	3,906	3,822
Stormwater	1,072	1,051
Other Infrastructure	1,066	1,066
Cultural and heritage	13	12
	<u>8,666</u>	<u>8,702</u>

Accounting Policy

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

	2016 \$'000	2015 \$'000
14 Finance costs		
Bank charges	73	79
Interest - borrowings	<u>1,078</u>	<u>1,132</u>
	<u>1,151</u>	<u>1,211</u>

Accounting Policy

Finance costs are expensed as incurred using the effective interest method.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
15 Other expenses		
General expenses	60	155
Bad and doubtful debts	180	289
Councillors' remuneration	250	271
Grants and community benefits	348	487
	<u>838</u>	<u>1,202</u>

Audit fees paid or payable to conduct the external audit for 2015/16 total \$46,950 (2014/15: \$45,700)
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".

16 Net loss on the disposal of assets

Proceeds from sale	204	234
Written down value of assets disposed	<u>(763)</u>	<u>(1,032)</u>
	<u>(559)</u>	<u>(798)</u>

Accounting Policy

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

17 Capital works completed on assets not owned by Council

Capital works on assets not owned by Council	<u>67</u>	<u>(1,106)</u>
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2015/16 construction work relates to the final handover of assets to the Department of State Growth in relation to the roundabout at Stony Rise Road. Council and the State Government agreed that \$67,000 of the assets identified will remain Council assets and not be transferred to the Department of State Growth.

2014/15 construction work undertaken on assets not owned by Council relate to a roundabout located at Stony Rise Road transferred to the Department of State Growth following construction. Council received a grant of \$1,200,000 to complete this work.

18 Derecognition of assets

Derecognition of buildings	<u>(3,089)</u>	<u>0</u>
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As part of the LIVING CITY Masterplan, Council have relocated offices from 44-48 Best Street to 17 Fenton Way. As the building is no longer in use at 30 June and demolition was planned in the coming weeks, Council derecognised the building at 30 June, resulting in a loss on derecognition of \$3,020,586. As part of the LIVING CITY Masterplan, demolition of the building at 13 Oldaker Street and 145A Rooke Street also commenced. The buildings have been derecognised at 30 June resulting in a loss on derecognition of \$38,761 and \$29,807 respectively.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
19 Cash and cash equivalents		
Cash at bank and on hand	3,428	1,395
Investments	13,547	17,263
	<u>16,975</u>	<u>18,658</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 6)	0	981
- Leave provisions (Note 28)	2,601	2,603
- Trust funds and deposits (Note 34)	183	215
	<u>2,784</u>	<u>3,799</u>
Restricted Funds		
Total unrestricted cash and cash equivalents	<u>14,191</u>	<u>14,859</u>

Accounting Policy

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

20 Receivables

(i) Current receivables

Rates and utility charges	(3)	93
Infringement debtors	114	89
Sundry debtors	360	520
Planning & health debtors	10	10
Net GST receivable	239	135
Accrued revenue	990	269
	<u>1,710</u>	<u>1,116</u>
Total current receivables		

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

Accounting Policy

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.

21 Prepayments

Current		
Prepayments	76	93
	<u>76</u>	<u>93</u>

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
22 Investment in TasWater		
Opening Balance	84,231	83,560
Fair Value adjustments on Available-for-Sale Assets	<u>1,433</u>	<u>671</u>
Total investment in TasWater	<u>85,664</u>	<u>84,231</u>

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

Accounting Policy

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 2016, 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 30)

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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
23 Investments in associates		
Investments in associates accounted for by the equity method are as follows:		
Dulverton Regional Waste Management Authority	<u>4,739</u>	<u>3,849</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 36 (i).		
Council's ownership interest in the Authority at 30 June 2016 was 43.45% (43.45% in 2015).		
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	2,774	2,069
Add: Prior year adjustment	386	(302)
Less: Authority's tax expense	<u>(834)</u>	<u>(621)</u>
Authority's profit/(loss) after tax	<u>2,326</u>	<u>1,146</u>
Council's equity interest	43.45%	43.45%
Percentage share of profit after tax	<u>1,011</u>	<u>498</u>
Share of dividends paid by Authority	<u>(174)</u>	<u>(87)</u>
Share of profit of Authority recognised in Income Statement	<u>837</u>	<u>411</u>
Movement in carrying value of investment		
Carrying amount at beginning of period	3,849	3,081
Council's share of profit after tax	837	411
Share of asset revaluation	<u>53</u>	<u>357</u>
Fair value at the period end	<u>4,739</u>	<u>3,849</u>

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

Total Assets	17,011	14,646
Total Liabilities	6,104	5,787
Revenue	9,124	8,260

The investment value in Dulverton Regional Waste Management Authority recognised in the 2016 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 2017 financial year.

Accounting Policy

Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operations of the entity. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entity. Council's share of the financial result of the entity is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
24 Property, plant and equipment		
(a) (i) Land		
at fair value	<u>148,772</u>	<u>147,432</u>
Freehold land is comprised of the following :		
Parks, Reserves & General land	33,072	32,774
Other land (including under infrastructure)	<u>115,700</u>	<u>114,658</u>
	<u>148,772</u>	<u>147,432</u>
(ii) Parks and open space		
at fair value	21,779	5,784
Less : Accumulated depreciation on improvements	<u>8,206</u>	<u>2,069</u>
	<u>13,573</u>	<u>3,715</u>
(iii) Buildings		
at fair value	87,503	90,168
Less: Accumulated depreciation	<u>39,299</u>	<u>41,560</u>
	<u>48,204</u>	<u>48,608</u>
(iv) Plant		
at cost	6,899	7,164
Less: Accumulated depreciation	<u>4,057</u>	<u>3,902</u>
	<u>2,842</u>	<u>3,262</u>
(v) Furniture and fittings		
at cost	5,696	5,079
Less: Accumulated depreciation	<u>3,339</u>	<u>2,562</u>
	<u>2,357</u>	<u>2,517</u>
(vi) Total cultural and heritage assets		
at fair value	4,683	4,220
Less: Accumulated depreciation	<u>138</u>	<u>27</u>
	<u>4,545</u>	<u>4,193</u>
(vii) Total infrastructure assets		
at fair value	390,339	407,325
Less: Accumulated depreciation	<u>198,989</u>	<u>202,123</u>
	<u>191,350</u>	<u>205,202</u>
Infrastructure assets comprise:		
Roads	123,630	122,522
Stormwater	67,720	64,267
Other infrastructure assets	<u>0</u>	<u>18,413</u>
	<u>191,350</u>	<u>205,202</u>
Total net value of non current assets	<u>411,643</u>	<u>414,929</u>

Information relating to the determination of Fair Value for each relevant asset class is included at Note 42.

(c) Internal transfers

During the year Council determined to reallocate Other Infrastructure across existing asset classes to improve asset management processes. The total assets transferred is \$28,444,123 with accumulated depreciation of \$10,325,916 resulting in a net amount transferred of \$18,118,207. The impact on other asset classes is shown in this Note.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

Accounting Policy

Acquisition and Recognition

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired as part of the LIVING 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.

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

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

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 2016

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 40, 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.

Land under roads

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2016

24 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment										
2016										
Asset values										
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	\$'000
147,432	5,784	90,168	7,164	5,079	268,232	111,400	27,693	4,220	667,172	
938	117	600	328	122	1,744	930	283	2	5,064	
440	0	0	0	0	964	842	22	0	2,268	
0	0	0	0	0	0	0	0	0	0	
(38)	(32)	(8,740)	(593)	(194)	(2,283)	(254)	(388)	0	(12,522)	
0	178	1,818	0	0	(4,410)	5,044	834	226	3,690	
0	15,732	3,657	0	689	8,130	0	(28,444)	235	(1)	
148,772	21,779	87,503	6,899	5,696	272,377	117,962	0	4,683	665,671	
Accumulated depreciation										
0	2,069	41,560	3,902	2,562	145,710	47,133	9,280	27	252,243	
0	185	1,269	626	529	3,906	1,072	1,066	13	8,666	
0	(24)	(5,640)	(471)	(156)	(1,946)	(111)	(322)	0	(8,670)	
0	67	824	0	0	(1,552)	2,148	302	0	1,789	
0	5,909	1,286	0	404	2,629	0	(10,326)	98	0	
0	8,206	39,299	4,057	3,339	148,747	50,242	0	138	254,028	
148,772	13,573	48,204	2,842	2,357	123,630	67,720	0	4,545	411,643	
Total written down value 30 June 2016										

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

24 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment										
2015										
Asset values										
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	\$'000
114,707	5,892	78,721	7,622	4,758	261,568	108,951	26,353	3,970	612,542	
0	(108)	453	518	625	3,848	757	1,523	24	7,640	
51	0	0	0	0	636	336	26	0	1,049	
2,103	0	311	0	0	0	0	0	0	2,414	
0	0	(74)	(976)	(304)	(1,793)	(111)	(209)	0	(3,467)	
30,571	0	10,757	0	0	3,973	1,467	0	226	46,994	
0	0	0	0	0	0	0	0	0	0	
147,432	5,784	90,168	7,164	5,079	268,232	111,400	27,693	4,220	667,172	
Accumulated depreciation										
0	1,892	33,917	4,081	2,224	140,876	45,512	8,311	15	236,828	
0	177	1,355	638	581	3,822	1,051	1,066	12	8,702	
0	0	(43)	(817)	(243)	(1,183)	(52)	(97)	0	(2,435)	
0	0	6,331	0	0	2,195	622	0	0	9,148	
0	0	0	0	0	0	0	0	0	0	
0	2,069	41,560	3,902	2,562	145,710	47,133	9,280	27	252,243	
147,432	3,715	48,608	3,262	2,517	122,522	64,267	18,413	4,193	414,929	
Total written down value 30 June 2015										

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
25 Capital work in progress - at cost		
Parks and Open Space	1,505	247
Buildings	167	582
Living City Project	4,952	770
Plant	230	2
Furniture and fittings	179	44
Roads	2,989	658
Stormwater	373	376
	10,395	2,679
26 Payables		
Current		
Trade creditors	421	228
Accruals	2,578	2,094
Trust funds	183	215
	3,182	2,537
27 Interest bearing liabilities		
Current		
Borrowings - secured	892	985
Non-current		
Borrowings - secured	19,615	20,507
Loan Movements	20,507	21,492
Opening balance	21,492	20,020
Loans raised	0	2,400
Repayments	(985)	(928)
Book value at period end	20,507	21,492
The maturity profile for Council's borrowings is:		
Not later than one year	892	985
Later than one year and not later than five years	13,523	13,295
Later than five years	6,092	7,212
Total	20,507	21,492

Council's loans are secured by trust deed.

Accounting Policy

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

Operating leases as lessee

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

27 Interest bearing liabilities (continued)

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.

	2016 \$'000	2015 \$'000
28 Provisions		
Current		
Employee entitlements:		
Annual leave	1,023	1,010
Long service leave	1,123	1,068
Non-current	2,146	2,078
Employee entitlements:		
Long service leave	455	525
Total provisions	455	525
	2,601	2,603

Included in the above employee entitlements balances is an allowance for oncosts amounting to \$167,054 (\$184,861 for 2015)

As at 30 June 2016, Devonport City Council had 146 full time equivalent employees (151 for 2015)

Accounting Policy

Short term employee benefit obligations

Liabilities for wages and salaries, rostered days off, annual leave and long service leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate 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.

Other long term employee benefit obligations

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

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

Sick leave

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

29 Capital and capital reserves	2016	2015
(i) Asset revaluation reserve - Council	\$'000	\$'000
Movements in the asset revaluation reserve were as follows:		
Balance at the beginning of year	295,401	257,555
Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value:		
Land	0	30,571
Parks & Open Space	111	0
Buildings	994	4,426
Roads	(2,858)	1,778
Stormwater	2,896	845
Other Infrastructure	532	0
Cultural & Heritage	226	226
	<u>1,901</u>	<u>37,846</u>
Balance at end of year	<u>297,302</u>	<u>295,401</u>
(ii) Asset revaluation reserve - Associate		
Movements in the Asset Revaluation Reserve - Associate were as follows:		
Balance at the beginning of year	1,415	1,058
Share of asset revaluation movement - Associate (Note 23)	<u>53</u>	<u>357</u>
Balance at end of year	<u>1,468</u>	<u>1,415</u>
(iii) Accumulated surplus		
Movements in the Accumulated surplus as follows:		
Balance at beginning of year	194,274	186,468
Surplus / (Deficit)	<u>2,602</u>	<u>7,806</u>
Balance at end of year	<u>196,876</u>	<u>194,274</u>

Accounting Policy

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.

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.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
30 Other reserves		
(a) Reserves held for funding future capital expenditure:		
Fair value investment reserve	9,266	7,833
	<u>9,266</u>	<u>7,833</u>
(b) Movements in capital reserves are analysed as follows:		
Fair value investment reserve		
Balance B/Fwd	7,833	7,162
Fair value adjustment on available for sale assets	1,433	671
	<u>9,266</u>	<u>7,833</u>
Balance as at 30 June	<u>9,266</u>	<u>7,833</u>

Accounting Policy

Other reserves represent wealth which has been accumulated within the Council to meet specific anticipated future needs. As at 30 June 2016 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.

31 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub fund of the Quadrant Superannuation Scheme (the Scheme) up to 30 November 2015. At this date the Quadrant Superannuation Scheme merged (via a Successor Fund Transfer) into the Tasplan Super and the Quadrant Defined Benefits Fund became a sub fund of Tasplan Super (Tasplan) from that date. 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 2016 the Council contributed 9.5% of employees gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member 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 2016

31 Superannuation (continued)

The actuarial review concluded that:

1. The value of assets of the Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 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 discloses the following details:

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 Rule 27.4 of the Tasplan Trust Deed (Trust Deed), there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Rule 27.4 (b) (A). However there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.
- The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependents in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

The Trust Deed does not contemplate the Fund withdrawing from Tasplan. However it is likely that Rule 27.4 would be applied in this case (as detailed above).

- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB 119 defined benefit reporting.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

31 Superannuation (continued)

- During the reporting period the amount of contributions paid to defined benefits schemes was \$57,536 (\$73,000 2014/15), and the amount paid to accumulation schemes was \$1,031,092 (\$1,034,303).

- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$57,507, and the amount to be paid to accumulation schemes is \$1,111,860.

- 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. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 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.

As at 30 June 2015 the fund had 164 members and total employer contributions and member contributions for the year ending 30 June 2015 were \$2,083,883 and \$325,833 respectively.

	2016 \$'000	2015 \$'000
Defined Benefits Fund	58	73
Accumulation Schemes	<u>1,031</u>	<u>1,034</u>
	<u>1,089</u>	<u>1,107</u>

32 Commitments

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

Purchase commitments for material supplies & equipment	<u>1,633</u>	<u>2,030</u>
Commitments are payable as follows :		
Not later than 1 year	<u>1,633</u>	<u>2,030</u>

Accounting Policy

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

33 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2016.

Accounting Policy

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

34 Trust funds

Trust deposits	<u>183</u>	<u>215</u>
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The Devonport City Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements as income. Trust monies are invested with a financial institution in an appropriate interest-earning account. The deposits are bearing floating interest rates of 2.0% as at June 30 (2015 2.5%).

Accounting Policy

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
35 Reconciliation of cash flows from operating activities to surplus / (deficit)		
Surplus / (deficit)	2,602	7,806
Depreciation and amortisation	8,666	8,702
Non-cash donations subsidies and contributions	(2,268)	(3,463)
Share of profit in associate	(837)	(411)
Net (gain) / loss on disposal of assets	492	1,904
Derecognition of assets	3,089	0
Bad and doubtful debts	0	289
Overhead recovery	(457)	(582)
Investing activity		
Other investment income	(534)	(296)
Capital grants	<u>(1,314)</u>	<u>(2,134)</u>
Changes in operating assets and liabilities :	<u>6,837</u>	<u>4,009</u>
<i>(Increase) / decrease in receivables</i>	(594)	(79)
<i>(Increase) / decrease in prepayments</i>	17	(2)
<i>Increase / (decrease) in payables</i>	413	(602)
<i>Increase / (decrease) in employee provisions</i>	<u>(2)</u>	<u>(7)</u>
	<u>(166)</u>	<u>(690)</u>
Net cash inflow from operating activities	<u>9,273</u>	<u>11,125</u>

36 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 2016 the ownership share for Devonport was 43.45%.

Value of ownership share	<u>4,739</u>	<u>3,849</u>
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(ii) Cradle Coast Authority

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

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.

37 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 2016

38 Controlling Authority transactions

	2016		2015	
	Income \$'000	Expenditure \$'000	Income \$'000	Expenditure \$'000
Maidstone Park Management Controlling Authority	10	9	13	11
Total	10	9	13	11

During 2015 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.

39 Events occurring after balance date

On 29 July 2016 Council refinanced its debt with ANZ. The 8 facilities previously with TASCORP have been rolled into one facility. Accrued interest and the market value adjustment fee have been paid to TASCORP in July.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

40 Financial instruments

(a) Accounting policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and conditions
Financial assets			
Cash and cash equivalents	19	Cash on hand and at bank and short term deposit accounts are valued at face value. Interest is recognised as it accrues.	Cash and deposits returned interest at rates between 1.05% and 3.08% (0.05% and 3.5% in 2014/2015). The weighted average interest rate at balance date was 2.42% (2.35% in 2014/2015).
Receivables	20	Receivables are carried at face value. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured. Credit terms are based on 30 days. Overdue payments are lodged with a collection agency as and when deemed necessary.
Other financial assets	21	Other financial assets are valued at face value.	
Financial liabilities			
Payables	26	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within relevant trading terms.
Interest bearing loans	27	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council and the underlying value of the infrastructure for which the borrowings were obtained. The weighted average interest rate on borrowings is 5.08% (5.12% in 2014/2015).
Bank Overdraft	19	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand. The average interest rate on utilised overdraft was 8.59% (8.63% in 2014/2015).
			2016
			2015
Available Bank Overdraft Facility at year-end		\$ 100,000	\$ 100,000
Utilised Bank Overdraft Facility at year-end		\$ 0	\$ 0
Corporate credit cards	26	Credit card balances are recognised at the principal amount. Interest is charged as an expense as it accrues.	The credit card facility is secured by a mortgage over Council's general rates. The balance is paid in full on a monthly basis.
			2016
			2015
Available Credit Card Facility at year-end		\$ 70,000	\$ 70,000
Utilised Credit Card Facility at year-end		\$ 29,942	\$ 17,711

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2016

40 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:

2016	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	16,975	0	0	0	0	16,975
Receivables	0	0	0	0	1,710	1,710
Investment in Water Corporation	0	0	0	0	85,664	85,664
	16,975	0	0	0	87,374	104,349
Financial liabilities						
Payables	0	0	0	0	3,182	3,182
Interest bearing liabilities	0	892	13,523	6,092	0	20,507
	0	892	13,523	6,092	3,182	23,689
Net financial assets / (liabilities)	16,975	(892)	(13,523)	(6,092)	84,192	80,660

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

40 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Cash and cash equivalents	16,975	18,658	16,975	18,658
Receivables	1,710	1,116	1,710	1,116
Investment in Water Corporation	85,664	84,231	85,664	84,231
Total financial assets	104,349	104,005	104,349	104,005
Financial liabilities				
Payables	3,182	2,537	3,182	2,537
Interest-bearing loans and borrowings	20,507	21,492	22,857	22,988
Total financial liabilities	23,689	24,029	26,039	25,525

(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 2016

40 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 2016

40 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 33.

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:

	2016 \$'000	2015 \$'000
Current (less than 1 year)	1,555	961
Past due by over 1 year	75	75
Past due by over 2 years	14	14
Past due by over 3 years	6	6
Past due by over 4 years	60	60
	<hr/>	<hr/>
Total Trade & Other Receivables	1,710	1,116

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

40 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 (2014/15 \$0). No provision has been raised against debtors at year end (2014/15: \$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.

2016	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Payables	3,182	0	0	0	0	3,182	3,182
Interest bearing	961	961	6,922	9,205	7,165	25,214	20,507
Total financial	4,143	961	6,922	9,205	7,165	28,396	23,689

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

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

40 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.

2016			Interest rate risk			
			-2 %		+1%	
			-200 basis points		+100 basis points	
		2016 \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:						
Cash and cash equivalents		16,975	(340)	(340)	170	170
Receivables		0	0	0	0	0
Financial liabilities:						
Interest bearing liabilities		20,507	410	410	(205)	(205)

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)

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

40 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 2016				
Available for sale financial assets	0	0	85,664	85,664

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

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

	2016 \$'000	2015 \$'000
Reconciliation of Level 3 fair value movements:		
Opening Balance	84,231	83,560
Fair Value adjustments on Available-for-Sale Assets	1,433	671
Closing Balance	85,664	84,231

(h) Categories of Financial assets and Liabilities

Carrying amounts classified as:

Financial assets

Cash and cash equivalents	16,975	18,658
Loans and receivables	1,710	1,116
Available for sale financial assets	85,664	84,231
Total financial assets	104,349	104,005

Financial liabilities

Financial liabilities measured at amortised cost	23,689	24,029
Total financial liabilities	23,689	24,029
Net Financial Assets / Liabilities	80,660	79,976

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

41 Management indicators	Benchmark	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
(a) Underlying surplus or deficit					
Recurrent income* less		39,331	38,629	37,188	36,259
recurrent expenditure**		36,308	36,295	36,102	35,585
Underlying surplus/deficit	0	3,023	2,334	1,086	674

* 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 does include the prepaid 2015/16 Financial Assistance Grant of \$981k received in June 2015.

** Recurrent expenditure includes Loss on Disposal of property, plant & equipment of \$559k.

Council has reported an underlying surplus for the 2016 year, which exceeds the benchmark of a breakeven result.

(b) Underlying surplus ratio					
<u>Underlying surplus or deficit</u>		3,023	2,334	1,086	674
Recurrent income*		39,331	38,629	37,188	36,259
Underlying surplus ratio	0%	7.69%	6.04%	2.92%	1.86%

This ratio serves as an overall measure of financial operating effectiveness

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

(c) Net financial liabilities					
Liquid assets less		18,685	19,774	11,279	15,405
total liabilities		26,290	26,632	25,438	25,581
Net financial liabilities	0	(7,605)	(6,858)	(14,159)	(10,176)

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.

At 30 June 2016 the balance of these loans totalled \$11,346,395 (2015 \$11,574,805).

Council refinanced its debt on 29 July 2016, rolling 8 facilities into 1 with ANZ. The term of the loan is for 20 years with regular principal and interest repayments scheduled over the term.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

41 Management indicators (continued)	Benchmark	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
(d) Net financial liabilities ratio					
<u>Net financial liabilities</u>		(7,605)	(6,858)	(14,159)	(10,176)
Recurrent income*	0% -(50%)	39,331	38,629	37,188	36,259
Net financial liabilities ratio %		(19.34%)	(17.75%)	(38.07%)	(28.06%)

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.

<i>Parks and open space</i>					
<u>Depreciated replacement cost</u>		13,573	3,715	4,000	4,002
Gross replacement cost		21,779	5,784	5,892	5,723
Asset consumption ratio %	40-60%	62%	64%	68%	70%
<i>Buildings</i>					
<u>Depreciated replacement cost</u>		48,204	48,608	44,804	34,511
Gross replacement cost		87,503	90,168	78,721	68,641
Asset consumption ratio %	40-60%	55%	54%	57%	50%
<i>Roads</i>					
<u>Depreciated replacement cost</u>		123,630	122,522	120,692	118,292
Gross replacement cost		272,377	268,232	261,568	256,485
Asset consumption ratio %	40-60%	45%	46%	46%	46%
<i>Stormwater</i>					
<u>Depreciated replacement cost</u>		67,720	64,267	63,439	67,644
Gross replacement cost		117,962	111,400	108,951	114,289
Asset consumption ratio %	40-60%	57%	58%	58%	59%

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 2016

41 Management indicators (continued)	Benchmark	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'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>		2,967	4,224	4,315	5,634
Projected capital expenditure funding***		6,784	7,415	7,236	7432
Asset renewal funding ratio %	90-100%	44%	57%	60%	76%
<i>Buildings</i>					
<u>Projected capital funding outlays**</u>		6,193	6,213	5,802	5837
Projected capital expenditure funding***		4,230	4,700	4,700	4700
Asset renewal funding ratio %	90-100%	146%	132%	123%	124%
<i>Roads</i>					
<u>Projected capital funding outlays**</u>		28,994	32,759	32,752	32,369
Projected capital expenditure funding***		29,662	31,771	35,332	35,709
Asset renewal funding ratio %	90-100%	98%	103%	93%	91%
<i>Stormwater</i>					
<u>Projected capital funding outlays**</u>		4,773	5,029	4,368	3723
Projected capital expenditure funding***		110	110	71	71
Asset renewal funding ratio %	90-100%	4339%	4572%	6152%	5244%

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

** Projected capital funding outlays per the long term financial plan.

*** Value projected capital expenditure funding for an asset identified in Council's long term strategic asset management plan.

This ratio measures Council's capacity to fund future asset replacement requirements, by comparing the budgeted renewal expenditure to the projected capital expenditure requirements in the Asset Management Plans. This ratio should be considered over a longer period of time, at least 10 years to assess if Council is adequately funding the renewal of its assets. Council adopted a Financial Management Strategy in June 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.

Council has not adopted an updated Financial Management Strategy since June 2015 and is only required to do so every 4 years in accordance with the Ministerial Order issued in 2014. The projections for the 2016 year include 9 years worth of data, all previous years contain 10 years worth of data.

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

This ratio is not subject to audit.

DEVONPORT CITY COUNCIL

Notes to the Financial Report

For the year ended 30 June 2016

41 Management indicators (continued)	Benchmark	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
(g) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		5,035	3,699	7,283	8,556
Annual depreciation expense		8,666	8,702	8,910	8,736
Asset sustainability ratio %	100%	58%	43%	82%	98%

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	738	768	1,506
Buildings*	96	5,221	5,317
Plant	556	0	556
Furniture and Fittings	216	29	245
Roads	3,245	614	3,859
Stormwater	184	356	540
Total	5,035	6,988	12,023

* The buildings category above includes \$5,124,454 expenditure in relation to Living City

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

42 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 2016.

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 2016

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Land	24				
- LIVING CITY Land			5,717		5,717
- Other Land			143,055		143,055
Buildings	24				
- LIVING CITY Buildings			6,440		6,440
- Other Buildings			25,724	16,040	41,764
Roads, including footpaths and cycleways	24			123,630	123,630
Stormwater	24			67,720	67,720
Other infrastructure	24			0	0
Parks & open space	24			13,573	13,573
Cultural and heritage	24		4,545		4,545
		0	185,481	220,963	406,444

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

42 Fair Value Measurements (cont.)

As at 30 June 2015

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Land	24				
- LIVING CITY Land			4,790		4,790
- Other Land			142,642		142,642
Buildings	24				
- LIVING CITY Buildings			6,555		6,555
- Other Buildings			29,892	12,161	42,053
Roads, including footpaths and cycleways	24			122,522	122,522
Stormwater	24			64,267	64,267
Other infrastructure	24			18,413	18,413
Parks & open space	24			3,715	3,715
Cultural and heritage	24		4,193		4,193
		0	188,072	221,078	409,150

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.

There have not been any transfers between levels at 30 June 2016.

(b) Highest and best use

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

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

Investment in Water Corporation

Refer to Note 40 and Note 22 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 2015. The most significant input into this valuation approach is price per square metre. Land under roads has been categorised as either urban residential land or rural land in accordance with Council data. The relevant square metre rates have then been applied to the land area. The rates were supplied by the office of the Valuer General and have been discounted by 30% to reflect the nature of the land.

DEVONPORT CITY COUNCIL

Notes to the Financial Report For the year ended 30 June 2016

42 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 13.

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 2016. 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 2016

42 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 2016. Following revaluation, the asset class was reviewed and redistributed across existing asset classes. The reallocation amounts are shown in note 24 (Property, plant and equipment).

Parks & Open Space

A full valuation of parks & open space was undertaken by Council staff effective 30 June 2016. 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 24. 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. Revaluation Guidelines are prepared each year and reviewed by the Asset Management Team. The Guidelines are referred to the Audit Panel for review and comment and ultimately to Council.

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer Note 40)

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 2016

Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2016, 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: 15 August 2016.