



*The City with Spirit*



# ANNUAL REPORT 2017





### **Professional Service Providers**

Auditors: Tasmanian Audit Office  
Bankers: Commonwealth Bank of Australia  
ANZ Bank  
Insurance Broker: Jardine Lloyd Thompson  
Valuers: 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 each serve a four year term, with elections held on an "all in all out" basis. The term for the popularly elected Mayor and Deputy Mayor is also four years.

## 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 Section 23 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
- Planning Authority

Effective 1 July 2017, the number of Section 23 Committees reduced to three, with the combining of the former Community Services Committee with the former Governance and Finance Committee.

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

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

Delegations of authority are also in place to support effective decision making by Council. Under Section 22 of the *Local Government Act 1993*, Council may delegate its powers and functions to the General Manager, who in turn may sub-delegate certain powers and functions 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, which is established under Ministerial Order.



# COUNCIL & COMMITTEE REPRESENTATION



Council	Workshops	Planning Authority Committee	Community Services Committee	Governance & Finance Committee	Infrastructure, Works & Development Committee
All Aldermen	All Aldermen	Mayor Martin (Chair)	Ald Rockliff (Chair)	Ald Goodwin (Chair)	Ald Perry (Chair)
		Ald Emmerton	Ald Goodwin	Ald Emmerton	Ald Emmerton
		Ald Goodwin	Ald Jarman	Ald Martin	Ald Goodwin
		Ald Matthews	Ald Laycock	Ald Milne	Ald Jarman
		Ald Perry	Ald Martin Ald Milne	Ald Perry Ald Rockliff	Ald Laycock Ald Matthews

## 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 Reports

# MAYOR'S REPORT



It is a pleasure to present Devonport City Council's 2016/17 Annual Report.

This report provides an insight into Council's achievements over the past twelve months, what the future plans are for the City, as well as information regarding our current financial position.

The last year has been a very progressive one for Council and the City, especially as we witnessed the first stage of LIVING CITY being realised. Construction on the multi-level car park, food pavilion and civic building is well underway, and as such we are moving forward with our aspirations to rejuvenate the City and make it a better place to work, live and visit.

This is a unique and exciting time for Devonport as we embark on this period of transformation. Residents and visitors alike can now see the progress being made as these buildings take shape. Stage 1 is just the first step and while there is still plenty to be done, we are already looking towards the next stage, with a site identified and an Expressions of Interest process undertaken for an operator and/or developer for the Waterfront Precinct.

LIVING CITY is an opportunity for growth – economically, socially and culturally.

While LIVING CITY has been a hub of activity, many other projects have come to fruition in the past year. In September 2016, Council launched the inaugural Devonport Festival of Learning, with the whole month dedicated to encouraging people to 'have a go' and to learn new things. Over 35 activities were offered as part of the program.

We were excited to officially launch the Road Safety Bike Park in May, an initiative which was born out of a community vision to allow a safe space for children to ride their bikes, whilst also learning road rules.

The popular Sawdust Bridge at the Don Reserve underwent a complete makeover, as the old bridge was demolished to make way for a new,

locally made, single span aluminium bridge. Further enhancement was made to the Mersey Bluff area, with a new, all abilities outdoor fitness area installed along the walking track. This new equipment caters to a wide range of ages and fitness levels.

We were proud to have Council's ongoing commitment to developing a learning community recognised, by receiving the 2017 Delivering Excellence - Larger Councils Awards from LGAT for the strategic literacy collaboration Read Devonport. Read Devonport featured 45 project partners, collaboratively delivering 46 unique and interconnected literacy initiatives across Devonport.

A lot of progress has been made in Devonport during the last year, and there is more to come. Please take the time to read this report and understand all the things Council is doing to improve the future of our City.

Thank you to my fellow Aldermen, the General Manager and staff for your courage and continued commitment to our City. It has been a very productive 12 months and we are proud of the progress that has been made. This is an exciting time for Devonport and we look forward to what the future has in store.

**Ald Steve Martin**  
**MAYOR**



# GENERAL MANAGER'S REPORT



The 2016/17 Annual Report provides an account of how Devonport City Council has performed strategically, operationally and financially during the past year, highlighting achievements and providing updates on how Council is delivering on its commitments.

It is pleasing to report that during this year, Council has achieved an underlying surplus of \$1.2M, compared to a budgeted break-even position. Once again, higher than anticipated revenue has contributed to the positive result. This is the fifth consecutive year that Council has returned an underlying surplus, and the ability to continue to do this is a good indicator of Council's financial sustainability.

Revenue has risen faster than expenditure over the period, with Council continuing to review its costs to ensure services are delivered as efficiently and economically as possible.

During 2016/17, Council undertook \$28.3M in capital expenditure. The capital program has more than doubled in dollar terms compared to the previous financial year, reflecting the progress being made on the LIVING CITY project. Construction of Stage 1 is well advanced and works have also been undertaken to convert properties in Steele Street into a car park to service the new TasWater regional office and the growing business precinct in southern Rooke Street.

The progression of Stage 1 of LIVING CITY is one of the most significant highlights for both Council and the City over the past 12 months. This is the beginning of the largest rejuvenation project the City has seen and it is encouraging to see the buildings that are the centrepiece of Stage 1 - the multi-purpose civic building, food pavilion and multi-level car park, taking shape.

While LIVING CITY has been a strong focal point for Council during the year, improvements and achievements continue to be made in other areas of the City. Over \$5.0M has been spent

in capital improvements to roads, including upgrading the Westport Road/Devonport Road/Formby Road area, and the Steele Street/Fenton Street intersection. Council also rolled out Stage 2 of the WiFi program, which included areas around the Mall; Fenton Way; Best Street (from Edward Street to Formby Road); Stewart Street (from Edward Street to Formby Road); both ends of Rooke Street; the Mersey Bluff; and Wright Street shopping area in East Devonport.

Council sought community feedback on several issues during the year, including the new Signage Strategy, the 2017/18 Budget, LIVING CITY Waterfront Concept Plans, the Pedestrian Strategy and the proposed Don River Rail Trail.

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 continued hard work and dedication during the year.

Council's commitment to continuous improvement remains strong and we look forward to working further with our stakeholders, partners and the community to ensure that the future of the City is a bright one.

**Paul West**  
**GENERAL MANAGER**

# THE COUNCIL



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

## SUMMARY OF DECISIONS BY COUNCIL IN 2016/17

Meeting	No. of Meetings	Open Session Items	Closed Session Items	Total	% Items dealt with in Closed Session
Council*	13	164	22**	186	11.8%
Governance & Finance Committee	5	40	3	43	6.9%
Infrastructure, Works & Development	6	37	2	39	5.1%
Community Services Committee	6	35	3	38	7.8%
Planning Authority Committee	10	21	-	21	0%
<b>TOTAL</b>	<b>40</b>	<b>297</b>	<b>30</b>	<b>327</b>	<b>9.2%</b>

\*Includes Special Meetings and Annual General Meeting

\*\* In addition to the 22 items listed in Closed Session, there were also 5 Leave of Absence Requests and 9 Minutes of Joint Authorities (provided to Council on the condition that they remain confidential).



# MISSION - VISION - VALUES



## OUR ORGANISATIONAL MISSION IS:

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.

## OUR ORGANISATIONAL VISION IS:

**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 others talents, skills, experience and knowledge

### **Continuous Improvement and Innovation**

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

### **Results and 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 2016 to 30 June 2017											
No. of Meetings	Council	Workshop Sessions	Community Services		Governance & Finance		Infrastructure, Works & Development		Planning Authority		Leave of Absence (approved during period)
	13	19	6		5		6		10		
			Member	Non-Member	Member	Non-Member	Member	Non-Member	Member	Non-Member	
Mayor Ald Martin	13	17	5	-	4	-	-	6	9	-	1-3/7/16
Ald Emmerton	13	16	-	3	3	-	6	-	7	-	-
Ald Goodwin	12	17	6	-	4	-	5	-	7	-	12-25/3/17
Ald Jarman	12	16	6	-	-	5	4	-	-	4	-
Ald Laycock	10	17	5	-	-	4	5	-	-	5	10/2-24/2/17
Ald Matthews	12	15	-	6	-	2	5	-	8	-	1-24/7/16; 15-21/5/17
Ald Milne	11	16	6	-	5	-	-	6	-	5	-
Ald Perry	12	15	-	4	4	-	5	-	8	-	9/5-6/6/17
Deputy Mayor Ald Rockliff	13	18	6	-	5	-	-	5	-	5	-





# ALDERMEN ALLOWANCES & EXPENSES



Aldermen	Mayoral Allowance \$	Deputy Mayoral Allowance \$	Alderman's Allowance \$	Mileage \$	iPad \$	Conference - Professional Development Attendance \$	Travel, Accommodation & Meal Expenses \$	Meeting Expenses \$	Mobile Phone \$	Total \$
Mayor Ald Martin	52,407	-	20,962	12,491	130	4,689	4,136	823	646	96,284
Ald Emmerton	-	-	20,962	-	344	-	-	-	-	21,306
Ald Goodwin	-	-	20,962	-	344	880	423	79	-	22,688
Ald Jarman	-	-	20,962	-	344	880	437	-	-	22,623
Ald Laycock	-	-	20,962	-	344	1,395	886	109	-	23,696
Ald Matthews	-	-	20,962	-	344	1,010	352	-	-	22,668
Ald Milne	-	-	20,962	-	344	880	992	-	-	23,178
Ald Perry	-	-	20,962	-	344	-	-	-	-	21,306
Deputy Mayor Ald Rockliff	-	16,384	20,962	-	344	930	736	-	-	39,356
Other Non - Attributable	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	52,407	16,384	188,658	12,491	2,882	10,664	7,962	1,011	646	293,105
Budget	53,600	17,000	190,000	12,500	4,300	15,000	10,500	1,500	1,400	305,800
<b>BALANCE UNSPENT</b>	1,193	616	1,342	9	1,418	4,336	2,538	489	754	12,695
% Spent	98%	96%	99%	100%	67%	71%	76%	67%	46%	96%

# REPRESENTATION



<b>Local Government</b>	
Local Government Association of Tasmania	Ald Martin; Ald Rockliff (Proxy)
<b>Shareholdings in Corporations</b>	
TasWater	Ald Goodwin; Ald Perry (Proxy)
<b>Membership/Joint Authorities</b>	
Dulverton Regional Waste Management Authority	Ald Rockliff; Ald Perry (Proxy); General Manager
Cradle Coast Authority	Ald Martin; Ald Goodwin (to November 2016); General Manager (from November 2016)
<b>Controlling Authorities &amp; Board Membership</b>	
Maidstone Park Management Controlling Authority	Ald Martin; Ald Rockliff
Tasmanian Arboretum Inc	Ald Rockliff
<b>Strategic Special Committees</b>	
Arts, Culture and Tourism	Ald Jarman; Ald Laycock; Ald Milne
Community Development	Ald Emmerton; Ald Goodwin; Ald Martin
Sport and Recreation	Ald Matthews; Ald Perry; Ald Rockliff
<b>Special Interest Groups/Working Groups</b>	
Building Families Special Interest Group	Ald Rockliff
Cement Australia Railton Community Consultation Committee	Ald Goodwin
Community Safety Liaison Special Interest Group	Ald Martin
Devonport Food and Wine Working Group	Ald Goodwin; Ald Laycock
Devonport Maritime and Heritage Special Interest Group	Ald Laycock
Devonport Regional Gallery Special Interest Group	Ald Jarman
Eastern Shore Special Interest Group	Ald Jarman; Ald Rockliff; Ald Emmerton (Proxy)
General Manager's Performance Review Committee	Ald Emmerton; Ald Laycock; Ald Martin; Ald Perry; Ald Rockliff
Financial Assistance Working Group	Ald Emmerton; Ald Goodwin; Ald Martin
Learning Communities Special Interest Group	Ald Martin; Ald Milne; Ald Jarman (Proxy)
Dame Enid Lyons Trust Fund (formerly Mayor's Charitable Trust)	Ald Emmerton; Ald Martin; Ald Rockliff
Public Art Advisory Special Interest Group	Ald Jarman; Ald Matthews; Ald Milne
<b>External Committees</b>	
Mersey-Leven Emergency Management Committee	Ald Martin
<b>Statutory Council Committees</b>	
Shared Audit Panel	Ald Emmerton; Ald Goodwin; Ald Perry (Proxy)



# ORGANISATIONAL STRUCTURE



# WORKFORCE PROFILE



Category	Full-Time	Part-Time	Casual
Male	87	6	9
Female	36	22	12
<b>TOTAL</b>	<b>123</b>	<b>28</b>	<b>21</b>
General Manager	1	-	-
Deputy General Manager	1	-	-
Executive Managers	1	1	-
Administrative/ Technical	60	11	-
Operations/Works	54	4	-
Facilities/Satellite Sites	6	12	21

Council's number of Full Time Equivalent (FTE) employees is 144 (down from 145 in 2015/16 Financial Year). Percentage of female staff is 41% (same level as 2015/16 Financial Year) and percentage of male staff is 59% (same level as 2015/16 Financial Year). Staff turnover rate for 2016/17 Financial Year was 3.7%, down from 10% in the 2015/16 Financial Year.

## 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 as Senior Officers. Details relating to Senior Officer remuneration are outlined in the Financial Report (Please refer to Appendix A).



# GOVERNANCE & 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	In accordance with S71 of the <i>Local Government Act 1993</i> , Council prepares each financial year an Annual Plan for the municipal area. Current Annual Plan adopted by Council 26 June 2017
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 26 June 2017
Asset Management Plans (sets out asset maintenance and renewal needs for key infrastructure classes for at least the next 10 years)	Council has Asset Management plans in place
Rating Strategy (sets out the rating structure of Council to levy rates and charges)	Updated Rates and Charges Policy adopted 26 June 2017
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)	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 (reviewed 2017). 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, and Purchasing Policy adopted by Council in November 2016
Business Continuity Plan (actions that will be undertaken to ensure key services continue to operate in the event of a disaster)	Council has a Business Continuity Plan in place, updated to reflect new offices. Business Continuity Policy adopted by the Executive Leadership Team in March 2016
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 drafted and consultation undertaken. A Disaster Preparedness Plan for the Bass Strait Maritime Centre is in place
Risk Management Framework (outlines Council's approach to managing risks to Council's operations)	Updated Framework adopted by Council in March 2017



# GOVERNANCE AND MANAGEMENT CHECKLIST



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 is in place (in accordance with Ministerial Orders)
Internal Audit (provides analysis and recommendations aimed at improving Council's governance, risk and management controls)	Currently being explored - options being investigated
Performance Reporting Framework (indicators measuring financial and non-financial performance)	Council incorporates performance indicators/KPIs (financial and non-financial) in 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 bi-monthly through Governance and Finance S23 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 and Audit Panel
Performance Reporting (reports of indicators measuring 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 S72 of the <i>Local Government Act 1993</i> , Council reports annually to the community through the Annual Report
Councillor Code of Conduct (conduct principles and dispute resolution processes to be followed by Aldermen)	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 S22 of the <i>Local Government Act 1993</i> , powers and functions are delegated from Council to the General Manager. In accordance with S64 of the <i>Act</i> , various powers and functions are sub delegated to staff, and documented in Instruments of Delegation. Delegations Register is also in place
Meeting Procedures (legislation governing the conduct of meetings of Council and Special Committees)	Council complies with the <i>Local Government (Meeting Procedures) Regulations 2015</i> in the conduct of its Council and Special Committee meetings

Based on the Victorian Government's 'Local Government - Better Practice Guide 2014-15 - Performance Reporting Framework Indicator Workbook'

# FINANCIAL PERFORMANCE SNAPSHOT



The Annual Financial Report, including notes to the accounts, is provided as an Appendix to this Annual Report (Appendix A). 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 20 September 2017.

## Financial Result for the year

### Financial Summary

	Actual 2016/17 \$000	Budget 2016/17 \$000
<b>Ordinary Activities</b>		
Total Operating Revenue	40,094	37,728
Total Operating Expenditure	38,043	37,135
<b>Surplus/(deficit) from ordinary activities</b>	<b>2,051</b>	<b>593</b>
Adjustments		
Prepaid 2017/18 Financial Assistance Grant received in 2016/17	(1,020)	0
Loss on Disposal of Assets	(697)	(699)
Share of profit of Dulverton Regional Waste Management Authority	798	105
Net adjustment for repairs relating to 2016 flood damage	93	0
	(826)	(594)
<b>Underlying Surplus/(Deficit)</b>	<b>1,225</b>	<b>(1)</b>

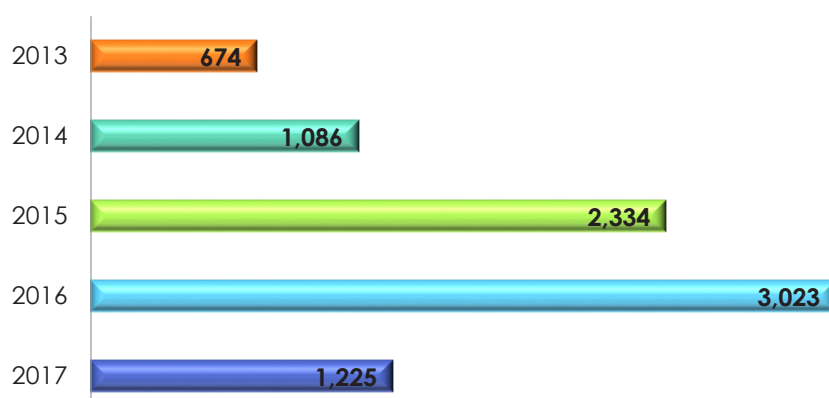
Council has achieved an underlying surplus of \$1.22M for the 2016/17 financial year, compared to a break-even budget position. Increased revenue has again contributed to a positive result and Council continues to review costs to ensure services are delivered as efficiently as possible. In addition to construction of Stage 1 of the LIVING CITY project, Council delivered \$7.51M of other capital expenditure.

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?

This is the fifth consecutive year Council has returned an underlying surplus. Revenue has risen faster than expenditure over the period.

## Underlying surplus/(deficit) \$000



The following information aims to provide a brief summary of Council's 2016/17 financial result. Full details of Council's Financial Statements are available from page 43.

### 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 2016/17 \$000	Budget 2016/17 \$000	Variance \$000
Rates and Service Charges	27,334	26,970	364
Fees and User Charges	5,324	5,233	91
Grants - Operating	3,200	2,127	1,073
Contributions - Operating	205	82	123
Investment Revenue	2,947	2,257	690
Other Revenue	1,084	1,059	25
<b>Total operating income</b>	<b>40,094</b>	<b>37,728</b>	<b>2,366</b>

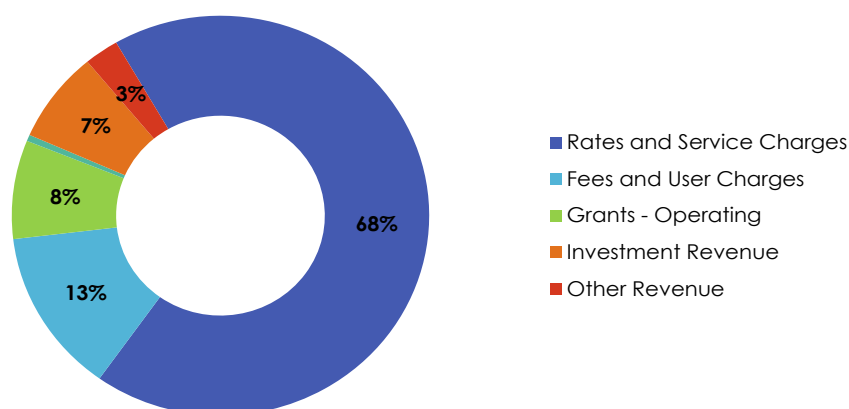
### Total operating revenue was \$2.37M or 6.27% higher than budget. The major variations include:

- Operating Grants were 50.44% above budget due to the decision by the Australian Government to pay two instalments of the 2017/18 Financial Assistance Grant to all councils in Australia in the 2016/17 financial year. The total prepayment of \$1.02M was received in May 2017 and must be included in the year of receipt. The grant funds will be spent on delivering services in the 2017/18 year.
- Interest and dividend income was 30.57% higher than budget due in part to higher cash balances and the use of short term deposits, and also increased distributions from Dulverton Regional Waste Management Authority (DRWMA). DRWMA made greater than expected tax equivalent distributions to the member Councils, confirming the positive operating results the entity has generated over the past 3 years.
- Rates and service charges contributed \$27.33M or 68.17% of total Council revenue. Council received a number of supplementary assessments during the year which contributed to the higher than expected rates revenue.



The chart below depicts Council's operating income by source for the 2016/17 financial year:

## Operating Income - 2017



### 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.

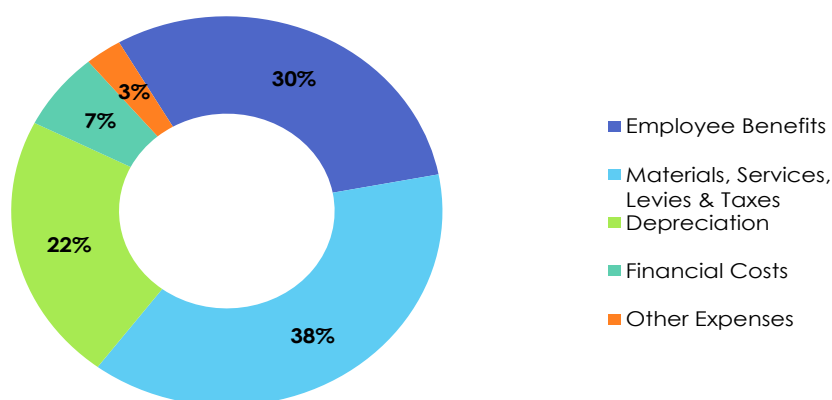
Operating Expenses	Actual 2016/17 \$000	Budget 2016/17 \$000	Variance \$000
Employee Benefits	11,441	12,125	(684)
Materials and Services	11,575	11,886	(311)
Depreciation	8,393	8,310	83
Financial Costs	2,736	1,077	1,659
Levies & Taxes	3,302	3,238	64
Other Expenses	1,042	1,068	(26)
Internal Charges and Recoveries	(446)	(569)	123
<b>Total operating expenditure</b>	<b>38,043</b>	<b>37,135</b>	<b>908</b>

### Total operating expenditure was \$908,000 or 2.44% higher than budget. The major variations include:

- A variance in the number of full time equivalents (FTE) from a budget of 149 to 144 resulted in a budget variance of \$684,000 or 5.64% in employee benefits.
- Materials and services were \$311,000 or 2.61% lower than budget. Lower than expected street lighting costs contributed to the savings.
- Depreciation expense was 1% higher than budget across a number of Council areas.
- Finance costs include all interest on borrowings in relation to the LIVING CITY project. The large variance between actual and budget related to the market adjustment payment of \$1.71M charged on refinancing existing debt with the ANZ Bank.
- Levies and Taxes refer to land tax and rates on Council owned properties. The 1.97% variance from budget relates to charges on land purchased during the year to construct the car park in Steele/King Street.
- Other expenses includes the Mayor and Aldermen's expenses, rates remissions granted to ratepayers, community grants and donations provided throughout the year, and cost of debt referred to collection agencies. The 2.43% reduction in other expenses when compared to budget includes lower than expected expenditure on election expenses.
- Internal charges relate to the level of Council resources allocated to the annual capital program. The actual time spent on capital projects by Council staff was 21.62% lower than anticipated.

The chart below depicts Council's expenditure by type for the 2016/17 financial year:

## Operating Expenditure - 2017



### Capital Expenditure

Council expended \$28.30M (including accruals) in capital expenditure across the following areas:

	\$'000
Open Space & Recreation	300
Facilities	504
Stormwater	541
Roads	5,271
Plant & Fleet	728
Other Equipment	170
LIVING CITY Project	20,776

The 2016/17 capital program has more than doubled in dollar terms when compared to the previous year reflecting the progress of the LIVING CITY project. Construction of Stage 1 is well advanced and properties in Steele Street have been converted to a car park to service the new TasWater regional office and the growing business precinct in southern Rooke Street. The Roads program included improvements to Westport Road/Devonport Road/Formby Road area and the Steele Street/Fenton Street intersection. Council also completed the Road Safety Bike Park in Pioneer Park East Devonport which is proving very popular with the community.

The capital program was partly funded by capital grants from the Federal and Tasmanian Governments totalling \$3.1M, with \$1.5M of this total related to Federal funding for Stage 1 of the LIVING CITY project. The Tasmanian Government also prepaid the purchase proceeds for the area in the new multi purpose building relating to LINC and Service Tasmania. Council have made the full equity contribution of \$11.0M towards Stage 1 of LIVING CITY as outlined in the funding model.

## 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 43 of the Financial Statements.

Indicator	Council Target	2016 Actual	2017 Actual
<b>Financial Operating Performance</b>			
Underlying surplus ratio	0% - 15%	7.69%	3.08%
<b>Liquidity position</b>			
Modified Current Ratio*	1:1 or greater	3.02:1	2.48:1
Cash reserves \$000	3,000	16,975	16,125
Net financial liabilities \$000	-	(7,605)	(9,284)
Net financial liabilities ratio	0% to (50%)	(19.34%)	(23.34%)
Net interest cost	below 5%	1.39%	0.15%
<b>Asset management performance</b>			
Asset consumption ratio - roads	40% to 60%	45%	45%
Asset sustainability ratio	60% to 100%	58%	66%

\* The current ratio calculation only includes the principal repayments due in the next 12 months.

### Financial operating performance

As noted above, Council has returned a positive underlying surplus over the past 5 years. The result this year has been impacted by the costs of refinancing debt in July 2016 and despite the substantial one off cost, Council has managed to deliver a positive result.

### Liquidity position

The current ratio compares current assets to current liabilities. The target is to ensure Council has sufficient cash and short term assets on hand to meet its short term liabilities. As shown above, at 30 June Council is in a position to be able to comfortably meet all short term liabilities if required. The loan from the ANZ Bank is subject to an annual review and as such has been reclassified as a current liability. Council continues to make interest and principal repayments based on a 20 year repayment schedule negotiated with ANZ. Through the Financial Management Strategy, Council has set a target to maintain cash reserves at a minimum of \$3.0M. While cash balances decreased by \$850,000 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. The refinancing of debt and subsequent savings in interest expense has resulted 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 43 of the Financial Statements, the ratio has been fairly constant over the past 4 years at around 45%. 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. While this ratio has improved significantly from the previous year, and is now in Council's target range, the ratio is below the benchmark set by the Auditor-General. Council will continue to monitor its assets as well as review asset lives as part of its regular asset management practices.



# ASSET MANAGEMENT



Council owns and maintains over \$692M worth of property, plant and equipment (\$423M 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 daily, deteriorate over time and require ongoing maintenance or replacement. A key issue facing Council is the management of aging assets in need of renewal or 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; and
- in the most cost effective manner.

Council revised its Asset Management Policy in April 2015, and it was re-adopted in July 2017. The Policy establishes guidelines to implement consistent asset management processes throughout Council and to ensure provision is made for the long-term replacement of major assets through the Long Term Financial Management Plan.

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

Review of Asset Management Plans is currently being undertaken by Council. Understanding the current condition of assets is critical for their management. Regular condition assessment of Council's assets means 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 for land and buildings) using current construction costs, or preferred or detailed estimations provided by qualified or experienced staff. As part of the revaluation, asset useful lives are reviewed and amended as required.

Stormwater infrastructure assets were revalued fully in 2017 which resulted in an decrease in replacement asset costs of \$2.8M (2.2%) and accumulated depreciation of \$0.5M.

Summary - All Stormwater Assets	Pre-Valuation (\$M)	Post-Valuation (\$M)	Variance Amount (\$M)	Variance %
Asset Cost	\$125.3	\$122.5	(\$2.8)	(2.2%)
Accumulated Depreciation	\$53.4	\$52.9	(\$0.5)	(0.9%)
Written Down Value	\$71.9	\$69.6	(\$2.3)	(3.2%)

This decrease came about as a result of the anticipated savings in the cost of smaller pipe sizes and updated methodology in relation to estimating practices.

Other asset classes were revalued by applying ABS indexation values.

# PERFORMANCE MEASURES



GOVERNANCE	TARGET	OUTCOME
Council decisions made during closed session of Council meetings (%)	<10%	9%*
Alderman attendance at Council meetings (Council & S23 Committees)	>90%	88%
PERMIT AUTHORITY	TARGET	OUTCOME
Time taken to assess building & plumbing applications (median # days from receipt to decision)	21 days	6 days
Time taken to assess building only applications (median # days from receipt to decision)	7 days	2 days
Building & plumbing applications decided within statutory timeframe (% decided within time-frame)	100%	100%
STATUTORY PLANNING	TARGET	OUTCOME
Time taken to decide planning applications (discretionary) (median # days)	42 days	33 days
Time taken to decide planning applications (permitted) (median # days)	28 days	21 days
Planning applications decided within 42 days (%)	100%	100%
ANIMAL MANAGEMENT	TARGET	OUTCOME
Animal complaints actioned within 3 days	100%	100%
FOOD SAFETY	TARGET	OUTCOME
Food complaints actioned within 5 days	100%	100%
Food safety assessments undertaken (as % of registered food premises)	100%	74%
ROADS	TARGET	OUTCOME
Road requests (# requests per 100km roads)	200	208
Cost of sealed road reconstruction (\$ per sqm)	\$85 per sqm	\$82 per sqm
Cost of sealed local road resealing (\$ per sqm) (40mm hotmix)	\$38 per sqm	\$37 per sqm
WASTE COLLECTION	TARGET	OUTCOME
Cost of domestic kerbside garbage bin collection service (\$ per week per property)	\$2.50	\$2.30
Cost of domestic kerbside recyclables bin collection service (\$) /collection	\$2.10	\$2.05
Total waste to landfill (tonnes)	15,500	14,700
Entries to Waste Transfer Station (excluding recycling) (#)	32,000	29,075
OPERATIONAL POSITION	TARGET	OUTCOME
Adjusted underlying surplus (or deficit) (% of adjusted recurrent revenue)	Between 0-15%	3.08%
OBLIGATIONS	TARGET	OUTCOME
Net interest compared to adjusted recurrent revenue (as % of adjusted recurrent revenue)	<5%	.15%
LIQUIDITY	TARGET	OUTCOME
Current assets compared to current liabilities (as % of current liabilities)	1 x coverage	2.5 x coverage
STABILITY	TARGET	OUTCOME
Rates compared to adjusted underlying recurrent revenue (as % of adjusted underlying recurrent revenue)	70%	62.3%**
EFFICIENCY	TARGET	OUTCOME
Resignations and terminations as % of average staff numbers	<10%	3.7%
INFRASTRUCTURE	TARGET	OUTCOME
Asset renewal compared to depreciation (as % of depreciation)	Between 60-100%	66%

\* Figure is 13% if Leave of Absence Requests and Confidential Minutes from Joint Authorities were included

\*\* Excludes Fire Service Levy

# QUICK STATS



Did you know....?	This Year - 2016/17	Last Year - 2015/16
Population of Devonport	27,101 (2016 Census)	27,182 (2011 Census)
Median age	43 years (2016 Census)	40 years (2011 Census)
New citizens welcomed to Devonport	29	52
Number of rateable properties	12,295	12,111
Average General Rate	\$1,129.36	\$1,103.27
Total General Rate revenue received	\$20.8M	\$20.4M
Operating Revenue received	\$40.1M	\$37.5M
Operational expenditure	\$38.0M	\$35.7M
Capital works completed	\$28.3M	\$12.6M
Roads	284.3km	280.5km
Footpaths/paths & walkways	262.2km	260.5km
Sports Grounds	14	14
Property Certificates issued	591	654
Development Applications approved	171	188
Estimated value of Development Approvals	\$61.5M	\$89.0M
Building Permits issued*	157 (1/7-31/12/16)	286
	68 (1/1-30/6/17)	
Plumbing Permits issued*	97 (1/1-30/6/17)	Not recorded separately
Notifiable Works Received*	43 (1/1-30/6/17)	Introduced 1/01/2017
Food Premises licences issued (Full time food premises)	270	268
Dogs registered	4,183	4,312
Parking infringements issued	17,203	19,775
People through doors at Customer Services	54,700	46,170
Visitors to the Visitor Information Centre	46,150	48,407
Visitors to the Devonport Regional Gallery	24,334	19,107
Entries to the Bass Strait Maritime Centre	8,499	9,170
Passengers on the Julie Burgess	666	644
Entries to Splash Aquatic & Leisure Centre	223,867	234,625
Number of active volunteers	151	139
Number of volunteer hours recorded	10,516	8,061
Items considered by Council and S23 Committees	327	392
Total wages paid	\$9.34M	\$9.59M
Unleaded petrol consumed	28,870 litres	33,766 litres
Diesel consumed	195,560 litres	187,248 litres
Waste taken to landfill	14,700 tonnes	15,703 tonnes

(\*Building Act 2016 - effective 1 January 2017)



# PERFORMANCE HIGHLIGHTS



## ROAD SAFETY BIKE PARK

The Road Safety Bike Park was officially opened on the 29 May 2017. It was through community input that the facility in which children can learn how to ride their bicycles in a safe environment came to fruition. The East Devonport Bike Park Committee worked tirelessly to lobby for the park's development, including sourcing funding, community consultation and design input. The bike park was constructed with funding from the Council, the Tasmanian Community Fund and a number of sponsors and local businesses.



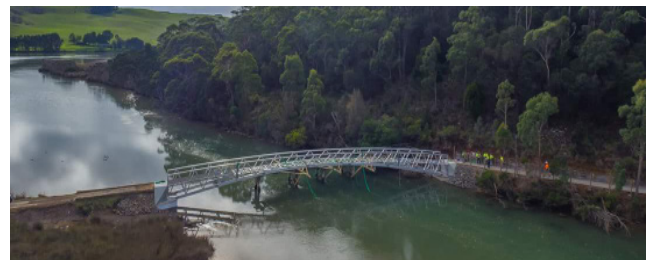
## OUTDOOR FITNESS EQUIPMENT

A new all abilities outdoor fitness equipment area was built along Bluff Road Walking Track, opposite the Bass Strait Maritime Centre. The new static equipment designed specifically to cater for a wide range of ages and abilities, provides opportunities for beginners right through to intensive fitness regimes. The equipment incorporates sit up benches, balance beams, dipping bars, rings, gorilla bars, parallel bars and leg raising benches, and was completed as part of Council's 2016/17 Capital Works Program.



## SAWDUST BRIDGE REPLACEMENT

As part of Council's 2016/17 Capital Works Program, the Sawdust Bridge on the Don River was replaced. The new bridge structure was helicoptered in to replace the former structure, constructed in 1989. Council owned bridges are inspected annually, and it was identified that the bridge was at the end of its life and required replacement. Local company AJR Construct Pty Ltd was the successful tenderer for the single span aluminium framed bridge with timber balustrading.



## LIVING LIGHTLY EXPO

The third 'Living Lightly' Expo was held in September 2016. The Expo, comprising of activities and workshops, endeavours to engage and inspire residents to live more sustainably, eat locally and eat healthily. Activities included composting, herb gardening and bee keeping. Sustainable living was the key, with the Expo focusing on practical healthy lifestyles, energy saving, ethical choices, backyard biodiversity and water and waste. The Expo held at the Devonport Community Gardens was coordinated by Council and the Devonport Community House.





## 2017 AUSTRALIA DAY AWARDS

The 2017 Australia Day Awards and Citizenship Ceremony was held on 25 January 2017. This year's Devonport Citizen of the Year was Maureen Clarke. Mrs Clarke is an active member of the Devonport community, and was recognised for her involvement in community service organisations including Ambleside Neighbourhood Watch, Clean Up Australia Day, Devonport Soroptomist Club, Gran's Van, and as a volunteer at St Vincent de Paul.



Munnew Day Centre's Seniors Week event 'Irish Eyes are Smiling' was awarded the Community Event of the Year, for bringing people together for an afternoon of fun, singing and dancing, with the aim of breaking down barriers that isolate people with dementia. The Centre regularly participates in community events with its clients, helping to make the community more dementia aware and friendly.

Six new citizens from Sri Lanka, the Philippines and the Irish Republic were welcomed into the Devonport community at the event, and Devonport's Australia Day Ambassador, Mr Tom Dunbabin, provided a motivational speech.



## 2017 MANAGEMENT CHALLENGE

Council was represented at the 2017 Local Government Professionals Australasian Management Challenge by Team 'City Spirit', comprising of employees Alex Mountney, Amandeep Singh, JoHanna Robertson, Karen Hampton, Karina Moore and Kym Peebles. The team won the State title in March 2017, and represented Tasmania at the National Challenge, which was held in Hobart in May 2017. The Challenge provides a professional development opportunity for local government employees to challenge their leadership skills, along with demonstrating strategic problem solving, communication, innovation, collaboration, negotiation and decision making abilities. The team's pre-challenge task, focusing on the Mersey Bluff Precinct, was judged in the top three of 86 entries from Australasia.



## FESTIVAL OF LEARNING

A month long 'Festival of Learning' was held in September 2016 as part of the Live and Learn Strategy, aimed at promoting a wide variety of learning opportunities in Devonport. During the Festival of Learning, 35 different learning events were held, which included cooking, building, reading, public speaking and dance.



# LIVING CITY HIGHLIGHTS



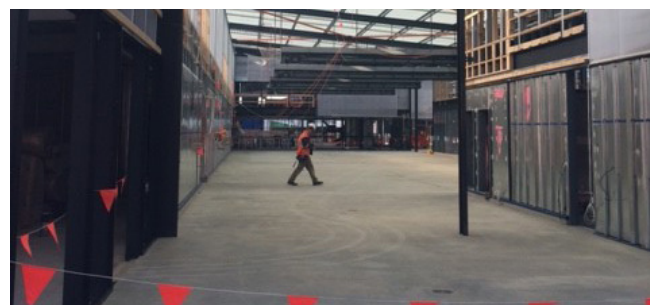
LIVING CITY is a \$250M urban renewal strategy providing a blueprint to transform Devonport and the North-West region, through the creation of new tourism opportunities, food experiences and business prospects. Council adopted the LIVING CITY Master Plan in 2014 following years of research, community engagement and planning.

In 2016, less than two years since finalising the Master Plan, the first steps were taken to create new business opportunities in the southern CBD, construction work begun on Stage 1 and planning for the waterfront precinct commenced.

At a total value of \$71.1M Stage 1 involves the creation of a new multi-purpose civic building, multi-level carpark, food pavilion and market square. Importantly Stage 1 is the catalyst for LIVING CITY unlocking the opportunity for significant private investment and development in the region.

In the Southern CBD, 2016/17 saw Council assist in attracting the new North-West headquarters for TasWater into the Devonport CBD, with a 90-space car park developed to facilitate further business growth in this part of the City.

During the year a master plan and hotel concept was prepared for the waterfront precinct. Following community engagement, the process of securing a hotel developer commenced. With strong interest in the site, Council is looking to secure the necessary private investment to allow construction to commence after the completion of Stage 1.



LIVING CITY capital expenditure for the year ending 30 June 2017 was \$20.78M. The majority of these funds being \$19.72M relating to the \$71.1M Stage 1; \$1.01M associated with land and construction costs for the \$1.65M King Street carpark project; with the balance attributable to sundry expenses. A further \$241,154 of operational expenditure in 2016/17 was attributed to the planning phase of the waterfront precinct.

The majority of expenditure related to the continuation of contracts awarded in previous years. The total of payments made in 2016/17 for the major contractors/consultants were:

- Fairbrother P/L \$17,308,563 (Construction)
- Projects & Infrastructure Holdings P/L \$1,993,626 (Development Managers)
- Lyons \$391,237 (Waterfront & Stage 1 Architect - pre-novation)
- Devonport Central P/L \$500,000 (Land Purchase)
- Oliver Kelly \$556,311 (King Street Carpark Construction - including operational demolition costs)

With a number of new businesses opening, DA approvals and commercial property sales increasing and other evidence of increasing investment confidence, Council is confident the community is already starting to see long term dividends from Council's investment in LIVING CITY. Importantly with strict cost control, key financial targets are being achieved, ensuring Council is on target to deliver its commitment that LIVING CITY will not adversely impact on rate revenue.



# ANNUAL PLAN ACTIONS



GOAL 1 - LIVING LIGHTLY ON OUR ENVIRONMENT		
ACTION	OUTCOME	STATUS
Review Energy Efficiency and Environmental Sustainability Strategies	This action has not yet commenced. Deferred to next financial year	Deferred (0%)
Develop environmental key performance indicators	This action has not yet commenced. Indicators to be developed as part of the Environmental Sustainability Strategy review to commence in next financial year	Deferred (0%)
Submit grant applications for community based bushland conservation projects	This action did not progress	Not Started (0%)
Review Corporate Climate Change Adaptation Plan	Desktop review conducted and review process finalised. Internal working group met to review Council's climate change adaptation governance arrangements. Process is ongoing	In Progress (25%)
Deliver Living Lightly Expo to demonstrate simple actions residents can take to reduce their footprint	Event held in partnership with the Devonport Community House at the Devonport Community Garden in September 2016, with 161 participants	Complete (100%)
Deliver or support a series of workshops and events to provide opportunities to minimise resource consumption and promote environmental awareness	Six Living Lightly workshops held with 59 participants in total	Complete (100%)
Develop an environmental education program and actively seek funding opportunities	\$7,000 received from the Cradle Coast Authority for a series of natural resource management education workshops. Program under development for delivery in second half of 2017	In Progress (50%)
Develop a Waste Management Strategy	First draft of Strategy complete. Final draft to be tabled at Council meeting for further public consultation	In Progress (90%)

GOAL 2 - BUILDING A UNIQUE CITY		
ACTION	OUTCOME	STATUS
Participate in the finalisation of the Interim Planning Scheme and coordinate the development of the Local Provisions of the new Statewide Planning Scheme	Interim Planning Scheme effectively finalised. Cannot progress local provisions until drafting directions provided by the Minister, now unlikely to be finalised before 2018	In Progress (85%)
Revise and review practices to ensure they are compatible with the new State Planning Scheme provisions	Cannot progress action until instructions from Minister for Planning are received	Not started (0%)
Maintain membership of the Cradle Coast Regional Planning Group to deliver a consistent approach to interpretation, practices and procedures associated with the introduction of the new State Planning Scheme	Membership maintained and all meetings attended	Complete (100%)
Explore parking incentives and variable pricing structures	Review completed. To be adopted by Council prior to opening of new Multi-Storey carpark in December 2017	In Progress (80%)
Investigate lighting levels at various locations to determine scope of works required to achieve compliance with current Australian Standards	Results of investigation were reported to the April Infrastructure, Works and Development Committee Meeting	Complete (100%)
Review span of hours for paid parking	Review completed. To be adopted by Council prior to opening of new Multi-Storey carpark in December 2017	In Progress (80%)
Review and update Council's Pedestrian Network Strategy	Revised Pedestrian Strategy was adopted by Council at December 2016 meeting	Complete (100%)
Determine technology to be used within the multi-storey carpark	Options determined and tender advertised	Complete (100%)
Consider future direction and provision of free parking days	Review completed. Recommendation to be adopted by Council prior to opening of new Multi-Storey carpark in December 2017	In Progress (80%)
Consider pricing structure of the Multi-Storey Car Park	Review completed. To be adopted by Council prior to opening of new Multi-Storey carpark in December 2017	In Progress (80%)
Review existing pension permit scheme and associated processes	Review completed. Recommendation to be adopted by Council prior to opening of new Multi-Storey carpark in December 2017	In Progress (80%)
Review and update Council's Stormwater Strategy	Review commenced in February and will be completed in the second half of 2017	In Progress (50%)
Continue to develop hydraulic modelling for the stormwater network	Final reports for Chinaman's Creek catchment and East Devonport catchment have been received. Modelling of remaining catchments will continue until 2019	Complete (100%)

GOAL 2 - BUILDING A UNIQUE CITY		
ACTION	OUTCOME	STATUS
Continue to review and update Council's Asset Management Plans and develop a summary document to provide an overview of Council's asset management status	Asset Management Plan for road assets is being prepared for Council endorsement. Review of Asset Management Plans will continue and a summary document will be prepared in 2017/18	In Progress (85%)
Develop a business plan for the new conference facility including pricing structure and marketing strategies	Research and benchmarking has commenced with a view to confirm pricing and promotional material in late 2017	In Progress (50%)
Undertake construction of LIVING CITY Stage 1 in accordance with funding model and agreed design parameters	Construction underway – Carpark and Food Pavilion on track with multi-purpose building approximately 2 months behind schedule	In Progress (60%)
Identify opportunities to attract Government funding to advance the LIVING CITY Waterfront Precinct	Concept design completed and community consultation undertaken. Further traffic modelling completed	In Progress (40%)
Develop concept plans and necessary demand studies and progress the selection of a suitable hotel developer for the LIVING CITY Waterfront Precinct	Concept designs developed and exhibited for public comment. Hotel site identified and Expression of Interest (EOI) process for operator/developer closed 30 June 2017	Complete (100%)

GOAL 3 - GROWING A VIBRANT ECONOMY		
ACTION	OUTCOME	STATUS
Identify and attract new business opportunities to the southern end of the CBD	TasWater now operating from Southern CBD. New Council car park opened in King Street to support southern based businesses	Complete (100%)
Progress retail stages of the LIVING CITY Plan to a saleable package stage with permits, major leases and designs	Council's appointed Development Managers, P+i Group, continuing discussions with major retailers	In Progress (25%)
Continue to develop and strengthen Devonport as a tourism destination through marketing and advertising opportunities	Council continues to be involved in marketing and advertising as part of the Cradle Coast Marketing Group and Devonport and Cradle Country Tourism Groups	Complete (100%)
The development of the Food Pavilion, providing opportunities for local producers to value add and for new restaurants to be established	Council has secured a long term lease with Providore Place Pty Ltd to manage and operate the food pavilion	Complete (100%)
Investigate alternative operational models to increase efficiencies and reduce net cost to Council	Determined to consolidate the Art Gallery, Visitor Services and Devonport Entertainment & Convention Centre into one site. Review reports completed following all major events, and presented to Council	Complete (100%)
Investigate and develop improved traffic management for locations within the road network with known access and connectivity issues	Report was presented to the April Infrastructure, Works and Development Committee Meeting detailing the outcomes of the investigation into traffic light phasing at the intersection of Steele and Forbes Streets	Complete (100%)
Investigate and develop improved pedestrian access for locations within the City with known access and connectivity issues	Investigations were undertaken and proposed improvements to the Bluff area and Victoria Parade boat ramp area included in the forward works program	Complete (100%)
Review Council's Signage Strategy	Strategy has been reviewed and adopted by Council	Complete (100%)
Continue to enhance utilisation and marketing features of public Wifi system	Roll-out of WiFi Stage 2 has been completed in areas around the Mall, Fenton Way, north of Formby Road, both ends of Rooke Street and the Bluff	Complete (100%)
Continue to investigate opportunities for implementing IT solutions to assist with service delivery within the Infrastructure and Works Department	A number of IT solutions were investigated and implemented including electronic leave forms, electronic inspection forms and GPS tracking of contractors	Complete (100%)
Complete Year 1 actions from the Digital Strategy	Public WiFi, NBN information sessions and e-Safety Workshop completed	Complete (100%)



GOAL 4 - BUILDING QUALITY OF LIFE		
ACTION	OUTCOME	STATUS
Facilitate a health and well-being program for primary school children to increase participation in sport and leisure activities	School Holiday Programs coordinated	Complete (100%)
Increase participation and utilisation of facilities through a program developed specifically for Devonport's ageing population	Tai Chi and Yoga programs have been introduced and are ongoing	Complete (100%)
Develop a Disaster Preparedness Plan for collection management at the Bass Strait Maritime Centre	Disaster Preparedness Plan completed and endorsed with the assistance of Arts Tasmania Grant for Roving Curator hours	Complete (100%)
Commence a transfer of Bass Strait Maritime Centre collection catalogue to an electronic database	Past Perfect electronic database has been implemented, key volunteers trained and working through the catalogue	Complete (100%)
Plan, prepare and facilitate attendance by the Julie Burgess at the 2017 Australian Wooden Boat Festival	The Julie Burgess attended the 2017 Australian Wooden Boat Festival in Hobart	Complete (100%)
Plan and facilitate a minimum of six outreach activities to increase awareness of the local history resources available at the Bass Strait Maritime Centre	Three outreach activities completed. A further three scheduled activities were deferred	In Progress (80%)
Support the development of the Bike Safety Park at Pioneer Park, East Devonport	Bike Safety Park constructed and officially launched in late May 2017	Complete (100%)
Imbed learning opportunities into events, initiatives and activities being delivered to the community	Partnered to deliver Festival of Learning and the Year of Literacy. Council developed and delivered seasonal program activities which featured learning active or passive learning elements	Complete (100%)
Administer a school and community based immunisation program and provide informed responses to public health and environmental issues	Council no longer involved in a community immunisation program. School program dates for 2017 confirmed	Complete (100%)
Investigate opportunities to value add to outcomes achieved through the Devonport Food Connection Project beyond Council's direct involvement	Supported the establishment of a North West Region Food Coalition. Embedded food security initiatives into community development and Devonport Food and Wine Festival programming	Complete (100%)
Deliver an initiative or event that celebrates and embraces diversity	Delivered Harmony Day event in partnership with the East Devonport Child and Family Centre	Complete (100%)
Collaborate with young people to deliver an event which celebrates youth, identity, culture and community participation	Working Group for Reclaim the Lane and National Youth Week Project Officer delivered event on 7 April 2017	Complete (100%)
Develop a Regional Youth Strategy in conjunction with Latrobe and Kentish Councils	Consultation in progress. Youth Survey completed with 497 responses from people aged 10-18 years. Community survey to take place early in next financial year, following which a report will be prepared for consultation	In Progress (50%)

GOAL 5 - PRACTICING EXCELLENCE IN GOVERNANCE		
ACTION	OUTCOME	STATUS
Review and update audit and compliance processes to ensure Council meets its legislative obligations and recommended governance practices	Draft Legislative Compliance document developed for finalisation in 2017/18. Delegations continue to be updated on an as needs basis	In Progress (80%)
A review of Special Interest Groups and Section 24 Committees to be undertaken	Review completed and formalised at Council's April meeting	Complete (100%)
Review the pricing structure in relation to the Waste Management Charge	Review complete. Changes to the non-residential waste management charge were adopted as part of the 2017/18 budget	Complete (100%)
Address the identified priority improvement areas in the Health and Safety Management System	Safety Management Plan updated to reflect AS4801 Standard conditions requirements	Complete (100%)
Assess and implement, where appropriate, recommendations from the Municipal Association of Victoria (MAV) Annual Risk Service Review	All recommendations have been implemented and Action Plan developed to ensure ongoing review of recommendations	Complete (100%)
Address areas of non-compliance within Codes of Practice	Code of Practice list updated to reflect endorsement by WorkSafe Australia. Reviewing Codes of Practice and updating Safe Operating Procedures is ongoing	Complete (100%)
Negotiate a new Enterprise Agreement in accordance with legislation	Agreement negotiated and provided to staff for voting in July 2017	In Progress (90%)
Implementation of Year 2 actions from the Information Management Strategy	Records Office has progressed the ongoing targeted objectives for management of Council's vital records	Complete (100%)
Finalise the Pay by Phone parking trial and consider future options	Considered by Council at September's Governance and Finance Committee meeting. Trial successful	Complete (100%)
Prepare for audit of Council's record keeping practices by the Tasmanian Archives and Heritage Office	An Audit Report (November 2016) prepared by the Tasmanian Archives & Heritage Office received	Complete (100%)
Improve services and functions available online for Council's customers	Many improvements made and will continue to be a focus in the next 12 months	Complete (100%)
Explore and introduce an automatic process of uploading information from hand-held infringement devices to the main payment system	In final process of implementing system	In Progress (90%)

# 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 <https://www.legislation.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 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 2016/17 financial year, Council received no disclosed matters referred to it by the Ombudsman.

## COMPLAINTS

14 formal complaints (in accordance with the definition contained within Council's Customer Service Charter) were received during the financial year. All complaints were acknowledged and resolved in accordance with Council policy. 7 complaints related to a failure to adhere to Council's service standards; 3 related to decisions made by Council Officers; and 4 complaints related to staff behaviour.

## LAND DONATIONS

Council resolved to donate land at 108 Tarleton Street, East Devonport to OAK Possability at its meeting held on 5 June 2017. The formal transfer of the donated land will not be actioned until such time as all conditions contained within the Memorandum of Understanding between Council and OAK Possability have been fulfilled.

Council did not donate any other land under Section 177 of the *Local Government Act 1993* during the 2016/17 financial year.

## MODEL CODE OF CONDUCT

There were no Code of Conduct complaints made against any Aldermen of the Devonport City Council during the 2016/17 financial year.





# TENDERS & CONTRACTING



The *Local Government (General) Regulations 2015* requires that Council reports the following information in its Annual Report in relation to any contract for the supply or provision of goods and services:

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

CONTRACTOR/SUPPLIER	DESCRIPTION OF CONTRACT	CONTRACT OR SUPPLY PERIOD	\$ VALUE (excl. GST)
Lyons Architect Level 3, 246 Bourke Street Melbourne VIC 3000	Waterfront Precinct Master Plan	December 2016 - June 2019	\$210,500 - Phase 1 \$227,500 Phase 2 (To commence when instructed by Council)
Fairbrother Pty Ltd 12 Stony Rise Road Devonport TAS 7310	LIVING CITY Stage 1 Construction	October 2016 - July 2018	\$59,074,852
Contract 1311 Oliver Kelly Construction PO Box 72 Don TAS 7310	King Street Car Park	September - December 2016	\$532,973
Contract CT0167-01 Roadways Pty Ltd PO Box 303 Glenorchy TAS 7010	Supply, delivery and placement of Hotmix Asphalt	September 2016 - January 2017	\$302,359
Contract CT0167-02 Venarchie Pty Ltd 11 Cavalry Road Mowbray TAS 7248	Supply, delivery and placement of bituminous surfacing	September 2016 - January 2017	\$230,931
Contract 1313 CBB Contracting Pty Ltd PO Box 1437 Burnie TAS 7320	Durkins Road reconstruction	November 2016 - February 2017	\$340,928
Contract CT0165 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	Reconstruction William Street (Best to Stewart Street)	November 2016 - February 2017	\$491,671
Contract CT0164 Civilscape Contracting PO Box 63 Ridgley TAS 7321	Fenton & Steele Street intersection upgrade	November 2016 - February 2017	\$396,451

# TENDERS AND CONTRACTING



CONTRACT NUMBER & CONTRACTOR/SUPPLIER	DESCRIPTION OF CONTRACT	CONTRACT OR SUPPLY PERIOD	\$ VALUE (excl. GST)
Contract CT0166 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	Formby Road and Westport Road intersection reconstruction	November 2016 - February 2017	\$706,090
Contract CT0186 Civilscape Contracting PO Box 63 Ridgley TAS 7321	Elizabeth Street renewal - Forbes Street to Hiller Street	January - March 2017	\$196,440
Contract CT0190 ATM Investments Pty Ltd PO Box 385 Latrobe TAS 7307	Soccer Club Car Park	December 2016 - February 2017	\$173,433
Contract CT0177 AJR Construct Pty Ltd 8 Donvista Drive Don TAS 7310	Sawdust Bridge renewal - Don Reserve	January - April 2017	\$252,548
Contract CP0132 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	Pioneer Park Road Safety Bike Park	February - May 2017	\$101,654
Contract CT0183 Kentish Construction & Engineering Co Pty Ltd PO Box 21 Sheffield TAS 7306	Steele-Rooke and MacFie intersection improvements	April - May 2017	\$264,615
Contract 1314 Boral Construction Materials Pty Ltd 61 Lindsay Street Invermay TAS 7248	Supply and delivery of pre-mixed concrete	June 2017 - June 2018	\$52,700





# PUBLIC HEALTH STATEMENT

Section 72(1)(ab) of the *Local Government Act 1993* requires that Council 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 an Environmental Health Coordinator; an Environmental Health Officer; a Compliance Officer; Animal Control Officer and back up and on call provision from an external contractor. Resources were also complemented by 3 contracted registered Immunisation Nurses.

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

Functions of the Environmental Health Department 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 soil pollution
- Public Health emergency management
- Street Trading
- Fire hazard abatement
- By-law compliance
- Environmental complaints

Key environmental health outcomes for 2016/17 include the conducting of Childhood Immunisation Sessions (6 held; 912 immunisations administered); and 270 Food Premises licences issued.



# COMMUNITY GRANTS & EVENTS SPONSORSHIP



## MAJOR GRANTS

ORGANISATION	DESCRIPTION	AMOUNT FUNDED (\$)
Devonport Eisteddfod Society	88th Devonport Eisteddfod 2016	\$ 10,000.00
Melaleuca Home for the Aged	Parking Permits	\$ 750.00 (In Kind)
Ten Days on the Island	Beneath the Waterline	\$ 4,000.00
GTR Events	Tour of Tasmania 2016	\$ 15,000.00
Devonport Orchid Society	Tasmanian Orchid Conference 2017	\$ 2,000.00
Whitelion	Venue Hire - Stride Well-Being Workshops	\$ 2,000.00 (In Kind)
Cradle Coast Sports & Events Pty Ltd	Devonport Triathlon	\$ 20,000.00
Mersey Valley Devonport Cycling Club	Junior Road Nationals	\$ 2,000.00 (In Kind)
Gateway Community Care	Heavens Kitchen Healthy Lunch Box Program	\$ 2,000.00
GTR Events	Tour of Tasmania 2017	\$ 12,500.00
Devonport Eisteddfod Society	89th Devonport Eisteddfod 2017	\$ 10,000.00
Kentish Arts Commerce and Tourism Inc	Light Up Mount Roland	\$ 4,545.45
Richmond Fellowship Tasmania	Metered Parking Permits	\$ 7,800.00 (In Kind)
Laurel House North West	Parking Permits	\$ 3,120.00 (In Kind)
Rotary Club of North Devonport	Devonport Motor Show 2017	\$ 2,000.00 (In Kind)
Devonport Athletics Club	Devonport Athletics Club Christmas Carnival	\$ 5,000.00
Learning and Life Centre (Huddle) Ltd	The Huddle Demonstration Project	\$ 22,727.27
Youth, Family and Community Connections	Junction Building upgrades	\$ 26,000.00
Mersey Valley Devonport Cycling Club	Road Race	\$ 8,755.00





## MINOR GRANTS

ORGANISATION	DESCRIPTION	AMOUNT FUNDED (\$)
Brave Foundation	Educational Awareness Packs	\$ 909.09
Housing Choices	Food Sustainability Project	\$ 2,886.51
Rotary Club of North Devonport	Breakfast in the Park	\$ 175.05 (In Kind)
Devonport Lapidary Club Inc	3 Dual Wheeled Electric Grinder Machines	\$ 1567.50
Devonport Junior Football Club	Sports Equipment	\$ 1,359.41
Devonport Agricultural & Pastoral Society Inc	Equipment Hire Devonport Show	\$ 712.06
Mersey Junior Row Club Inc	Training Equipment	\$ 2,100.00
Sing Australia	Electronic Keyboard	\$ 600.00
Spreyton Cricket & Bowls Club	Synthetic Pitch	\$ 2,100.00
Devonport Senior Citizens Club Inc	Building Upgrades	\$ 1,023.00
Devonport Community House	Building Fees - Approved \$1,200.00	\$ 50.00
		(In Kind) \$ 770.00
Story Dogs	Training Devonport Story Dogs	\$ 2,000.00
Devonport Tennis Club Inc	Building Upgrades	\$ 1,594.46
Rotary Club Devonport	Kite Festival	\$ 650.00 (In Kind)
Mersey Community Care Inc	Parking Permits	\$ 2,750.00 (In Kind)
Park Run	Automated Emergency Defibrillator	\$ 1,000.00
Leukaemia Foundation of Australia	Caring for the Carer	\$ 247.27
Devonport Junior Soccer Association Inc	Devonport Cup	\$ 3,000.00
Spreyton Primary School	Apple Festival	\$ 1,247.46 (In Kind)
Devonport Eisteddfod	Eisteddfod Conference 2018	\$ 1,000.00
Mersey Valley Devonport Cycling Club	Mersey Tour - Subaru National Road Series	\$ 500.00
Latrobe Men's Shed	Tea Tree Walk Sign	\$ 270.94



## COMMUNITY PARTNERSHIP AGREEMENTS

ORGANISATION	DESCRIPTION	AMOUNT FUNDED (\$)
Devonport Brass Band	Contribution towards the operation of the Devonport Brass Band	\$ 12,000.00
Devonport Community House	Contribution towards the operating costs of the Devonport Community Gardens, The Playhouse and the Men's Shed	\$ 25,000.00
National Trust of Australia	Contribution towards operating costs	\$ 28,000.00
Tasmanian Arboretum	Contribution towards operating costs	\$ 20,000.00
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	\$ 17,356.60
Devonport Surf Life Saving Club	Contribution towards the operation of the Devonport Surf Life Saving Club	\$ 1,818.18
Devonport Carols by Candlelight	Contribution towards operating costs	\$ 3,000.00 \$ 1,504.21 (In Kind)
Merseylink	Contribution towards the operation of Spirit of Devonport	\$ 25,000.00
Devonport Netball Association	Equipment	\$ 826.70
Devonport Apex Regatta	Equipment	\$ 647.84
Devonport Junior Soccer	Equipment	\$ 861.46
GTR Events Pty Ltd	Tour of Tasmania	\$ 681.77
Devonport Rotary Car Show	Equipment Hire, printing & graphic design	\$ 1,286.80
Kite Festival	Equipment Hire	\$ 385.57
Valley Road Soccer Centre	FFA Cup (2 games)	\$ 1,665.30



## COMMUNITY DONATIONS

ORGANISATION	PROJECT TITLE	AMOUNT FUNDED (\$)
Devonport Orchid Society	Orchid Spring Show	\$ 250.00
Reece High School	End of Year Award	\$ 50.00
Devonport High School	End of Year Award	\$ 50.00
East Devonport Primary School	End of Year Award	\$ 50.00
Nixon Street Primary School	End of Year Award	\$ 50.00
Don College	End of Year Award	\$ 50.00
Toast for Kids	Charity Gala	\$ 72.72
Devonport Cricket Club	Outdoor Cricket Nets	\$ 9,000.00

## INDIVIDUAL DEVELOPMENT GRANTS

NUMBER OF GRANTS	DESCRIPTION	AMOUNT FUNDED (\$)
1	Approved and Unclaimed	\$ 100.00
10	Approved and Paid	\$ 700.00

## ONE OFF GRANTS

ORGANISATION	DESCRIPTION	AMOUNT FUNDED (\$)
Lions Club of Devonport	Staff and design work for Taste the Harvest 2016	In Kind
Mersey Community Care Inc	Contribution towards purchase of vehicle	\$ 10,000.00

## SUMMARY OF GRANTS AND BENEFITS

PURPOSE	AMOUNT (\$)
Vacant Land Rate Remission	\$ 89,699.11
Independent Living Units Remission	\$ 53,270.86
Not-For-Profit/Community Organisations Rate Remissions	\$ 26,589.68
Major Grants	\$ 160,197.72
Minor Grants	\$ 28,512.75
Community Partnership Agreements	\$ 160,034.43
Individual Development Grants	\$ 800.00
Community Donations	\$ 9,572.72
Waste Management Remission	\$ 968.80
Transfer Station Fees	\$ 1,756.00
One Off Grants	\$ 10,000.00
<b>TOTAL</b>	<b>\$ 541,402.07</b>

Council has a Financial Assistance Scheme incorporating financial assistance grants, remissions and donations. These are subject to financial assistance guidelines, including assessment and eligibility criteria which supports an equitable, transparent scheme. Further information on Council's Financial Assistance Scheme, including guidelines, are located on Council's website.

# APPENDIX A

## AUDITED FINANCIAL STATEMENTS





## **Independent Auditor's Report**

### **To the Aldermen of Devonport City Council**

### **Report on the Audit of the Financial Report**

#### **Opinion**

I have audited the financial report of Devonport City Council (Council), which comprises the statement of financial position as at 30 June 2017 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

#### **Basis for Opinion**

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

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

My audit responsibility does not extend to the budget figures included in the statement of comprehensive income, the asset renewal funding ratio disclosed in note 42, nor the Significant Business Activities disclosed in note 3 to the financial report and accordingly, I express no opinion on them.

...1 of 3

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

### **Responsibilities of the General Manager for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

...2 of 3

on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Council to cease to continue as a going concern.

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

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



Rod Whitehead  
**Auditor-General**

**Tasmanian Audit Office**

20 September 2017  
Hobart

# DEVONPORT CITY COUNCIL

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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# DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## Statement of Profit or Loss and Other Comprehensive Income

	Note	Budget 2017 \$'000	Actual 2017 \$'000	Actual 2016 \$'000
<b>Income from continuing operations</b>				
<b>Recurrent income</b>				
Rates and service charges	5	26,970	27,334	26,458
Fees and charges	6	5,233	5,324	5,558
Grants	7	2,127	3,200	1,286
Contributions - cash	8	82	205	82
Investment revenue from TasWater	9	1,638	1,679	1,551
Other investment revenue	10	619	1,268	1,129
Other income	11	1,059	1,084	1,449
<b>Total recurrent income</b>		<b>37,728</b>	<b>40,094</b>	<b>37,513</b>
<b>Capital income</b>				
Capital grants received specifically for new or upgraded assets	7	4,928	3,104	1,314
Contributions - non-monetary assets	8	14,200	3,107	2,268
Contributions - cash	8	0	270	0
Share of profit of associates accounted for by the equity method	25	105	798	837
Net loss on the disposal of property, infrastructure, plant and equipment	17	(699)	(697)	(559)
Donated Assets	18	0	(360)	0
Capital works completed on assets not owned by Council	19	0	(20)	67
Derecognition of assets	20	0	(165)	(3,089)
<b>Total capital income</b>		<b>18,534</b>	<b>6,037</b>	<b>838</b>
<b>Total income from continuing operations</b>		<b>56,262</b>	<b>46,131</b>	<b>38,351</b>
<b>Expenses from continuing operations</b>				
Employee benefits	12	12,125	11,441	11,389
Materials and services	13	14,555	14,431	13,705
Depreciation	14	8,310	8,393	8,666
Finance costs	15	1,077	2,736	1,151
Other expenses	16	1,068	1,042	838
<b>Total expenses from continuing operations</b>		<b>37,135</b>	<b>38,043</b>	<b>35,749</b>
<b>Result from continuing operations</b>		<b>19,127</b>	<b>8,088</b>	<b>2,602</b>
<b>Net result for the year</b>		<b>19,127</b>	<b>8,088</b>	<b>2,602</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to surplus / (deficit)</i>				
Fair Value adjustment on Available for Sale Assets	24	0	562	1,433
<i>Items that will not be reclassified to surplus / (deficit)</i>				
Net asset revaluation increment / (decrement) - Council	32	0	4,773	1,901
Net asset revaluation increment / (decrement) - Associates	25	0	(22)	53
<b>Total other comprehensive income</b>		<b>0</b>	<b>5,313</b>	<b>3,387</b>
<b>Total comprehensive result</b>		<b>19,127</b>	<b>13,401</b>	<b>5,989</b>

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

# DEVONPORT CITY COUNCIL

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Statement of Financial Position as at 30 June 2017

		2017 \$'000	Restated* 2016 \$'000
<b>Current Assets</b>	<b>Note</b>		
Cash and cash equivalents	21	16,125	16,975
Receivables	22	1,410	1,710
Prepayments	23	96	76
<b>Total current assets</b>		<b>17,631</b>	<b>18,761</b>
<b>Non-Current Assets</b>			
Receivables	22	31	0
Investment in TasWater	24	86,226	85,664
Investments in associates	25	5,515	4,739
Property, plant and equipment	26	422,545	414,855
Capital work in progress	27	29,400	10,395
<b>Total non-current assets</b>		<b>543,717</b>	<b>515,653</b>
<b>TOTAL ASSETS</b>		<b>561,348</b>	<b>534,414</b>
<b>Current Liabilities</b>			
Payables	28	4,197	3,182
Interest bearing liabilities	29	19,738	892
Provisions	31	2,145	2,146
<b>Total current liabilities</b>		<b>26,080</b>	<b>6,220</b>
<b>Non-Current Liabilities</b>			
Payables	28	13,000	0
Interest bearing liabilities	29	0	19,615
Other Financial Liabilities	30	307	0
Provisions	31	432	455
<b>Total non-current liabilities</b>		<b>13,739</b>	<b>20,070</b>
<b>TOTAL LIABILITIES</b>		<b>39,819</b>	<b>26,290</b>
<b>NET ASSETS</b>		<b>521,529</b>	<b>508,124</b>
<b>Equity</b>			
Asset revaluation reserve - Council	32	306,158	301,385
Asset revaluation reserve - Associates	32	1,446	1,468
Other reserves	33	9,829	9,266
Accumulated surplus	32	204,096	196,005
<b>TOTAL EQUITY</b>		<b>521,529</b>	<b>508,124</b>

\* Refer to Note 4 for details of prior period restatement

# DEVONPORT CITY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## Statement of Changes in Equity

2017	Asset Revaluation Reserve - Council Note 32 (i) \$'000	Asset Revaluation Reserve - Associate Note 32 (ii) \$'000	Accumulated Surplus Note 32 (iii) \$'000	Other Reserves Note 33 \$'000	Total \$'000
Balance at beginning of year	301,385	1,468	196,005	9,266	508,124
Adjust for roundings (inc. prior years)			3	1	4
Surplus / (deficit)	0	0	8,088	0	8,088
Other comprehensive income	4,773	(22)	0	562	5,313
Transfers between reserves	0	0	0	0	0
Balance at end of year	306,158	1,446	204,096	9,829	521,529

2016 Restated *	Asset Revaluation Reserve - Council Note 32 (i) \$'000	Asset Revaluation Reserve - Associate Note 32 (ii) \$'000	Accumulated Surplus Note 32 (iii) \$'000	Other Reserves Note 33 \$'000	Total \$'000
Balance at beginning of year	295,401	1,415	194,274	7,833	498,923
Net effect of a correction of error	4,083	0	(871)	0	3,212
Restated balance at the beginning of the reporting period	299,484	1,415	193,403	7,833	502,135
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	301,385	1,468	196,005	9,266	508,124

\*Refer to Note 4 for details of prior period restatement

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

# DEVONPORT CITY COUNCIL

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Statement of Cash Flows

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities :</b>			
Rates and other user charges		31,902	31,404
Refunds from Australian Taxation Office for GST		3,129	1,473
Interest		494	541
Contributions - cash		205	82
Government grants and subsidies		3,200	1,286
Investment revenue from TasWater		2,417	929
Other receipts		1,084	1,449
Payments to suppliers and employees		(27,460)	(25,975)
Finance Costs		(544)	(1,078)
Refinance Costs		(1,709)	0
Other payments		(1,042)	(838)
<b>Net cash flows provided by operating activities</b>	38	<b>11,676</b>	<b>9,273</b>
<b>Cash flows from investing activities :</b>			
Proceeds from sale of non current assets		51	204
Payments for non current assets		(28,906)	(12,023)
Capital grants		3,104	1,314
Contributions - cash		270	0
Other investments		759	534
Sale proceeds in advance		13,000	0
Loans to community organisations		(35)	0
<b>Net cash used in investing activities</b>		<b>(11,757)</b>	<b>(9,971)</b>
<b>Cash Flows from financing activities :</b>			
Proceeds from borrowings		0	0
Repayment of borrowings		(769)	(985)
<b>Net cash provided by financing activities</b>		<b>(769)</b>	<b>(985)</b>
Net increase / (decrease) in cash and cash equivalents		(850)	(1,683)
Cash and cash equivalents at beginning of the financial year		16,975	18,658
<b>Cash and cash equivalents at end of the financial year</b>	21	<b>16,125</b>	<b>16,975</b>



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 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

#### (a) 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 24, 26, 29, 30 and 31.

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 39.

#### 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 30.

#### *Defined benefit superannuation fund obligations*

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in Note 34.

#### *Fair Value of Property Plant & Equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in Note 1(f) and Note 26.

#### *Investment in water corporation*

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

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report

For the year ended 30 June 2017

### 1 Statement of accounting policies (continued)

#### (b) Adoption of new and amended accounting standards

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 has resulted in additional disclosures reported in the annual financial statements.

#### (c) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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 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.

##### (ii) 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.

##### (iii) 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.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 1 Statement of accounting policies (continued)

#### (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 27 June 2016 and are not audited.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 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			
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Corporate	3,108	27,762	6,503	24,367	124,617
Community, Cultural & Recreation	90	825	7,210	(6,295)	4,759
Parking	0	2,474	1,498	976	8,939
Economic Development	1,500	488	2,890	(902)	39,259
Roads	1,570	1,513	7,195	(4,112)	132,047
Stormwater	0	1,266	1,905	(639)	70,112
Waste Management	0	4,269	4,051	218	1,425
Parks & Gardens	29	407	4,716	(4,280)	165,053
Buildings	0	(54)	373	(427)	11,639
Infrastructure Administration	0	84	117	(33)	3,457
Regulatory Services	7	793	1,585	(785)	41
<b>TOTAL</b>	<b>6,304</b>	<b>39,827</b>	<b>38,043</b>	<b>8,088</b>	<b>561,348</b>

#### 2016 Restated

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)	126,799
Stormwater	0	844	1,885	(1,041)	71,083
Waste Management	0	3,982	4,086	(104)	2,286
Parks & Gardens	0	343	4,736	(4,393)	163,892
Buildings	0	3	497	(494)	36,214
Infrastructure Administration	0	121	(60)	181	3,251
Regulatory Services	0	887	1,572	(685)	124
<b>TOTAL</b>	<b>2,600</b>	<b>39,332</b>	<b>39,330</b>	<b>2,602</b>	<b>534,414</b>

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

	2017 \$'000	2016 \$'000
Current assets	17,631	18,761
Non-current assets	543,717	515,653
	<b>561,348</b>	<b>534,414</b>

\* Refer to Note 4 for details of prior period restatement



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 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 2017

### 3 Significant business activities

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

		2017		
		Parking	Waste Management	Devonport Entertainment & Convention Centre
		\$'000	\$'000	\$'000
<b>Operating Statement</b>				
<b>Revenue</b>				
Fees and charges		1,650	4,259	229
Donated assets		0	0	0
Other		951	10	73
Grants and contributions		0	0	0
<b>Total revenue</b>		<b>2,601</b>	<b>4,269</b>	<b>302</b>
<b>Expenses - Direct</b>				
Employee costs		295	474	407
Materials and services		888	3,527	309
Levies and taxes		181	3	37
<b>Total expenses (before depreciation)</b>		<b>1,364</b>	<b>4,004</b>	<b>753</b>
<b>Capital costs</b>				
Depreciation expense		134	47	166
Opportunity cost of capital	2.5%	229	46	109
(Gain) / loss on sale of non-current assets		128	0	0
		<b>491</b>	<b>93</b>	<b>275</b>
<b>Competitive neutrality adjustments</b>				
Loan guarantee fees		0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>
<b>Calculated surplus / (deficit)</b>		<b>975</b>	<b>218</b>	<b>(617)</b>
<b>Income Tax Equivalent Rate 30%</b>				
Income tax equivalent		293	65	0
<b>Total fully attributed costs</b>		<b>2,148</b>	<b>4,162</b>	<b>1,028</b>

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 3 Significant business activities (cont)

#### Operating Statement

##### Revenue

Fees and charges
Donated assets
Other
Grants and contributions
<b>Total revenue</b>

##### Expenses - Direct

Employee costs
Materials and services
Levies and taxes
<b>Total expenses (before depreciation)</b>

##### 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
<b>Total fully attributed costs</b>

2016			
Parking	Waste Management	Entertainment & Convention	
\$'000	\$'000	\$'000	
1,628	3,975	282	
0	0	0	
1,013		136	
0	0	0	
<b>2,641</b>	<b>3,975</b>	<b>418</b>	
295	457	405	
732	3,581	364	
170	3	36	
<b>1,197</b>	<b>4,041</b>	<b>805</b>	
148	45	157	
224	56	106	
16	0	0	
<b>388</b>	<b>101</b>	<b>263</b>	
0	0	0	
0	0	0	
1,280	(111)	(544)	
384	0	0	
<b>1,969</b>	<b>4,142</b>	<b>1,068</b>	

#### Accounting policy

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

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

# DEVONPORT CITY COUNCIL

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 4 Correction of a Prior Period Error

As a requirement of the *Urban Drainage Act 2013*, Devonport City Council is in the process of undertaking significant inspection of its stormwater network. This process will result in more precise information in both the geographic information system (GIS) and asset register. As a result of this process a number of stormwater assets have been identified as not being correctly stated resulting in corrections being made throughout the 2016/17 financial year. As the majority of corrections relate to assets taken up in prior years it is appropriate to restate the 30 June 2016 comparative figures for the Statement of Financial Position and Changes in Equity in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. In addition to the stormwater assets, a number of road, park and office assets have also been corrected and included with the restated figures.

The 30 June 2016 comparatives have been restated to reflect the following changes:

Property Plant and Equipment adjustments resulted in an overall increase to Property, Plant and Equipment of \$3,212,738 consisting of assets taken up \$4,082,633 and asset disposals of \$869,895 as follows:

Stormwater assets increased in value by \$2,990,153 (net of disposals)

Road assets increased in value by \$180,682 (net of disposals)

Parks and Open Space assets increased in value by \$41,903 (net of disposals)

#### Statement of Financial Position as at 30 June 2016 (Extract)

	Note	2016 \$'000	Correction of Error \$'000	Restated 2016 \$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	26	411,643	3,212	414,855
<b>Total non-current assets</b>		<b>512,441</b>	<b>3,212</b>	<b>414,855</b>
<b>TOTAL ASSETS</b>		<b>531,202</b>	<b>3,212</b>	<b>414,855</b>
<b>NET ASSETS</b>		<b>504,912</b>	<b>3,212</b>	<b>508,124</b>
<b>Equity</b>				
Asset revaluation reserve - Council	32	297,302	4,083	301,385
Accumulated surplus	32	196,876	(871)	196,005
<b>TOTAL EQUITY</b>		<b>504,912</b>	<b>3,212</b>	<b>508,124</b>

#### Note 26 - Property, plant and equipment (Extract)

Parks and open space at fair value	26	21,779	45	21,824
Less: Accumulated Depreciation on improvements	26	8,206	4	8,210
		<b>13,573</b>	<b>41</b>	<b>13,614</b>
Total infrastructure assets at fair value	26	390,338	6,172	396,510
Less: Accumulated Depreciation on improvements	26	198,989	3,001	201,990
		<b>191,349</b>	<b>3,171</b>	<b>194,520</b>



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 5 Rates and service charges

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

	2017 \$'000	2016 \$'000
General rates	20,906	20,454
Penalty income from overdue rates and charges	121	115
Waste management rates & charges	3,753	3,450
Fire Service Levy	2,554	2,439
Total rates and service charges	<b>27,334</b>	<b>26,458</b>

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

#### Accounting Policy

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

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

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>6 Fees and charges</b>		
Admission charges	211	224
Animal registrations	92	97
Cemetery fees	170	201
Certificate charges	188	186
Development fees	383	367
Equipment hire fees	16	14
Facility hire	254	207
Fines	623	734
Licences	75	74
Parking fees	1,650	1,629
Property leases & rental	985	1,065
Sales of goods	171	235
Waste management fees	506	525
<b>Total fees and charges</b>	<b>5,324</b>	<b>5,558</b>

Refer to Note 41(e) for the aging analysis of contractual receivables.

### Accounting Policy

#### *Fees and fines*

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

#### *Property leases and rentals*

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

#### *Operating leases as lessor*

Council 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 26, 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 2017

	2017 \$'000	2016 \$'000
<b>7 Grants</b>		
<b>Grants - Recurrent</b>		
Commonwealth Government Financial Assistance Grants - General Purpose	1,222	414
Commonwealth Government Financial Assistance Grants - Roads	1,781	570
Arts	79	63
Community projects	61	150
Roads	57	87
Youth activities	0	2
<b>Total recurrent grants</b>	<b>3,200</b>	<b>1,286</b>

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. The Australian Government released its budget on May 9, 2017 indicating its intention to prepay two instalments of the 2017/18 grant pool in 2016/17. In accordance with AASB 1004 *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 additional Commonwealth Government Financial Assistance Grants income in 2016/17 of \$1,020,069.

### Capital grants received specifically for new or upgraded assets

Roads to recovery	865	1,069
Black Spot Program	418	85
Community projects	34	0
State Government - Road Projects	287	105
Urban Renewal - 'Living City' Project	1,500	0
Community Energy Efficiency Program	0	55
<b>Total capital grants</b>	<b>3,104</b>	<b>1,314</b>
<b>Total grants</b>	<b>6,304</b>	<b>2,600</b>

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:

<b>Operational Grants</b>		
Financial assistance grant	1,020	0

### 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 2017

	2017 \$'000	2016 \$'000
<b>7 Grants (continued)</b>		
Non-reciprocal grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Grants -Recurrent		
Federal assistance	<u>0</u>	<u>981</u>
<b>8 Contributions</b>		
Operating Contributions - cash		
Training contributions	0	1
Sundry	100	63
Natural Disaster Claim	99	0
Developer Contribution	6	18
<b>Total operating contributions - cash</b>	<u>205</u>	<u>82</u>
Capital Contributions - cash		
Natural Disaster Claim	270	0
<b>Total capital contributions - cash</b>	<u>270</u>	<u>0</u>
Contributions - non-monetary assets		
Infrastructure from developers at fair value		
Land	0	440
Parks and Open Space	106	0
Roads	1,736	964
Stormwater	1,265	842
Other infrastructure	0	22
<b>Total contributions from developers</b>	<u>3,107</u>	<u>2,268</u>
<b>Total contributions</b>	<u><u>3,582</u></u>	<u><u>2,350</u></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 2017

	2017 \$'000	2016 \$'000
<b>9 Investment revenue from TasWater</b>		
Dividend revenue	1,062	1,110
Tax equivalent	476	308
Guarantee fee	141	133
	<u>1,679</u>	<u>1,551</u>
Total investment revenue from TasWater	<u>1,679</u>	<u>1,551</u>

### Accounting Policy

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

### 10 Other investment revenue

Interest received from investments	486	563
Dulverton Regional Waste Management Authority	782	566
	<u>1,268</u>	<u>1,129</u>
Total other investment revenue	<u>1,268</u>	<u>1,129</u>

### Accounting Policy

Interest is recognised progressively as it is earned.

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

### 11 Other income

Commission	199	273
Recoverables	332	459
Miscellaneous	553	717
	<u>1,084</u>	<u>1,449</u>
Total Other revenue	<u>1,084</u>	<u>1,449</u>

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>12 Employee benefits</b>		
Total wages and salaries	8,551	8,475
Annual and long service leave entitlements	1,115	1,123
Superannuation (Note 34)	1,114	1,089
	<u>10,780</u>	<u>10,687</u>
Other employee related expenses	991	993
	<u>11,771</u>	<u>11,680</u>
Less amounts capitalised	<u>(330)</u>	<u>(291)</u>
	<u><b>11,441</b></u>	<u><b>11,389</b></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.

### 13 Materials and services

Advertising, printing & other office costs	387	412
Computer services and maintenance	440	375
Consultants	740	452
Contractors	5,159	4,911
General - services & materials	1,627	1,391
Insurance	250	262
Levies & taxes	3,302	3,126
Memberships - organisations	253	264
Plant expenses	586	578
Professional services	93	208
Telephone & postage services	126	135
Utilities	1,468	1,591
	<u><b>14,431</b></u>	<u><b>13,705</b></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 2017

	2017 \$'000	2016 \$'000
<b>14 Depreciation</b>		
Parks and open space	776	185
Buildings	1,387	1,269
Plant	588	626
Furniture and fittings	479	529
Roads	3,997	3,906
Stormwater	1,151	1,072
Other Infrastructure	0	1,066
Cultural and heritage	15	13
	<u>8,393</u>	<u>8,666</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

	2017 \$'000	2016 \$'000
<b>15 Finance costs</b>		
Bank charges	176	73
Interest - borrowings	544	1,078
Market Value Movement in Fair Value Swaps	307	0
Refinancing Costs	1,709	0
	<u>2,736</u>	<u>1,151</u>

### Accounting Policy

Finance costs are expensed as incurred using the effective interest method. Following the refinancing of debt, Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the swaps through the Statement of Profit and Loss and Other Comprehensive Income. Council has not elected to apply hedge accounting to the transactions as per AASB 9 Financial Instruments.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>16 Other expenses</b>		
General expenses	65	60
Bad and doubtful debts	259	180
Councillors' remuneration	257	250
Grants and community benefits	461	348
	<u>1,042</u>	<u>838</u>

Audit fees paid or payable to conduct the external audit for 2016/17 total \$47,680 (2015/16: \$46,950)  
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".

### 17 Net loss on the disposal of assets

Proceeds from sale	51	204
Written down value of assets disposed	<u>(748)</u>	<u>(763)</u>
	<u>(697)</u>	<u>(559)</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.

### 18 Donated Assets

Tiagarra	<u>(360)</u>	<u>0</u>
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Council signed a Deed of Transfer document on 28 September 2016, transferring the Tiagarra Aboriginal Centre to Six Rivers Aboriginal Corporation (SRAC). The transfer was completed for nil consideration and represented a donation of assets to SRAC.

### 19 Capital works completed on assets not owned by Council

Capital works on assets not owned by Council	<u>(20)</u>	<u>67</u>
--	-------------	-----------

During 2016/17 Council carried out constructions works on behalf of two sporting clubs: Stormwater works at the Devonport Cricket Club \$7,000 and the installation of a plinth at the Devonport Tennis Club totalling \$13,000

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.



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>20 Derecognition of assets</b>		
Derecognition of buildings	<u>(165)</u>	<u>(3,089)</u>

As part of the LIVING CITY Masterplan, Council has designated the southern CBD as the growth area for business services. During the 2016/17 year TasWater relocated their North West office to this area. Council agreed to purchase a number of properties to develop a car park to service this area. The buildings were demolished immediately following the purchase resulting in a loss on derecognition of \$165,000.

Council relocated offices from 44-48 Best Street to 17 Fenton Way on 14 June 2016. As the building was no longer in use at 30 June 2016 and demolition was planned in the coming weeks, Council derecognised the building at 30 June 2016, resulting in a loss on derecognition of \$3,020,586. As part of LIVING CITY Stage 2, demolition of the building at 13 Oldaker Street and 145A Rooke Street also commenced. The buildings were also derecognised at 30 June 2016 resulting in a loss on derecognition of \$38,761 and \$29,807 respectively.

### 21 Cash and cash equivalents

Cash at bank and on hand	3,730	3,428
Investments	<u>12,395</u>	<u>13,547</u>
	<b><u>16,125</u></b>	<b><u>16,975</u></b>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

- Grants received in advance (Note 7)	1,020	0
- Leave provisions (Note 31)	2,577	2,601
- Trust funds and deposits (Note 37)	<u>160</u>	<u>183</u>
Restricted Funds	<b><u>3,757</u></b>	<b><u>2,784</u></b>
Total unrestricted cash and cash equivalents	<b><u>12,368</u></b>	<b><u>14,191</u></b>

#### 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.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>22 Receivables</b>		
<b>(i) Current receivables</b>		
Rates and utility charges	(119)	(3)
Infringement debtors	32	114
Sundry debtors	500	360
Planning & health debtors	9	10
Net GST receivable	400	239
Loans and advances	4	0
Accrued revenue	584	990
Total current receivables	<u>1,410</u>	<u>1,710</u>
<b>(ii) Non-current receivables</b>		
Loans and advances	<u>31</u>	<u>0</u>
Total non-current receivables	<u>31</u>	<u>0</u>

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.

## 23 Prepayments

<b>Current</b>		
Prepayments	<u>96</u>	<u>76</u>
	<u>96</u>	<u>76</u>

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 24 Investment in TasWater

Opening Balance	85,664	84,231
Fair Value adjustments on Available-for-Sale Assets	<u>562</u>	<u>1,433</u>
Total investment in TasWater	<u><b>86,226</b></u>	<u><b>85,664</b></u>

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

#### 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 2017, Council held a 5.44% ownership interest in TasWater which is based on schedule 2 of the Corporation's Constitution. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Fair Value Investment Reserve each year. (Refer note 32)

On 7 March 2017 the State Government announced its intention to take ownership of the Tasmanian Water and Sewerage Corporation Pty Ltd from July 2018. The State Government intends to introduce a suite of legislation into Parliament that will transfer all of Tasmanian Water and Sewerage Corporation Pty Ltd's assets, rights, obligations and liabilities, including employees under their current terms and conditions, to a newly created government business, which will commence operations by 1 July 2018. As, at the date of these financial statements, there is no indication as to whether the legislation will be passed, no change has been made to the basis on which the investment Tasmanian Water and Sewerage Corporation Pty Ltd has been recognised for the year ended 30 June 2017.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>25 Investments in associates</b>		
Investments in associates accounted for by the equity method are as follows:		
Dulverton Regional Waste Management Authority	<u>5,515</u>	<u>4,739</u>
<b>Dulverton Regional Waste Management Authority</b>		
Dulverton Regional Waste Management Authority is a Joint Authority established under the Local Government Act 1993 (as amended). Further information is provided in Note 39 (i).		
Council's ownership interest in the Authority at 30 June 2017 was 43.45% (43.45% in 2016).		
<b>Reconciliation</b>		
Reconciliation of the carrying amount at the beginning and end of the current and previous period is set out below:		
Authority's profit/(loss) before tax	3,381	2,774
Add: Prior year adjustment	0	386
Less: Authority's tax expense	<u>(1,014)</u>	<u>(834)</u>
Authority's profit/(loss) after tax	<u>2,367</u>	<u>2,326</u>
Council's equity interest	43.45%	43.45%
Percentage share of profit after tax	<u>1,028</u>	<u>1,011</u>
Share of dividends paid by Authority	<u>(230)</u>	<u>(174)</u>
<b>Share of profit of Authority recognised in Income Statement</b>	<u><b>798</b></u>	<u><b>837</b></u>
<b>Movement in carrying value of investment</b>		
Carrying amount at beginning of period	4,739	3,849
Council's share of profit after tax	798	837
Share of asset revaluation	<u>(22)</u>	<u>53</u>
<b>Fair value at the period end</b>	<u><b>5,515</b></u>	<u><b>4,739</b></u>

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

Total Assets	18,459	17,011
Total Liabilities	5,766	6,104
Revenue	10,606	9,124

The investment value in Dulverton Regional Waste Management Authority recognised in the 2017 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 2018 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 2017

	2017 Actual \$'000	Restated* Actual 2016 \$'000
<b>26 Property, plant and equipment</b>		
(a) (i) Land		
at fair value	<u>149,873</u>	<u>148,772</u>
Freehold land is comprised of the following :		
Parks, Reserves & General land	33,317	33,072
Other land (including under infrastructure)	<u>116,556</u>	<u>115,700</u>
	<u>149,873</u>	<u>148,772</u>
(ii) Parks and open space		
at fair value	23,806	21,824
Less : Accumulated depreciation on improvements	<u>9,186</u>	<u>8,210</u>
	<u>14,620</u>	<u>13,614</u>
(iii) Buildings		
at fair value	93,320	87,503
Less: Accumulated depreciation	<u>42,794</u>	<u>39,299</u>
	<u>50,526</u>	<u>48,204</u>
(iv) Plant		
at cost	7,408	6,899
Less: Accumulated depreciation	<u>4,543</u>	<u>4,057</u>
	<u>2,865</u>	<u>2,842</u>
(v) Furniture and fittings		
at cost	4,541	5,697
Less: Accumulated depreciation	<u>3,282</u>	<u>3,339</u>
	<u>1,259</u>	<u>2,358</u>
(vi) Total cultural and heritage assets		
at fair value	4,912	4,683
Less: Accumulated depreciation	<u>153</u>	<u>138</u>
	<u>4,759</u>	<u>4,545</u>
(vii) Total infrastructure assets		
at fair value	407,703	396,510
Less: Accumulated depreciation	<u>209,060</u>	<u>201,990</u>
	<u>198,643</u>	<u>194,520</u>
Infrastructure assets comprise:		
Roads	129,021	123,810
Stormwater	69,622	70,710
	<u>198,643</u>	<u>194,520</u>
<b>Total net value of non current assets</b>	<u>422,545</u>	<u>414,855</u>

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

\*Refer to Note 4 for details of prior period restatement



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 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 2017

### **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 42(g), 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 2017

### 26 Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment

		2017										Total	
		Note Ref.	Land \$'000	Parks and Open Space \$'000	Buildings \$'000	Plant \$'000	Furniture and Fittings \$'000	Roads \$'000	Stormwater \$'000	Other Infrastructure \$'000	Cultural and Heritage \$'000	\$'000	
<b>Asset values</b>													
Carrying Amount at Beginning of Reporting Period			148,772	21,824	87,503	6,899	5,697	273,512	122,998	0	4,683	671,888	
Additions at Cost			1,101	1,007	816	652	115	4,724	1,060	0	3	9,478	
Contributed assets at valuation			0	106	0	0	0	1,736	1,265	0	0	3,107	
Assets at Initial Recognition			0	0	0	0	0	0	0	0	0	0	
Disposals		17, 19	0	(75)	(1,000)	(143)	(325)	(2,209)	0	0	0	(3,752)	
Revaluations in period			0	624	5,028	0	0	7,734	(2,812)	0	226	10,800	
Internal transfers & Adjustments			0	320	973	0	(946)	(305)	0	0	0	42	
Closing balance			149,873	23,806	93,320	7,408	4,541	285,192	122,511	0	4,912	691,563	
<b>Accumulated depreciation</b>													
Opening balance			0	8,210	39,299	4,057	3,339	149,702	52,288	0	138	257,033	
Depreciation provided in period		14	0	776	1,387	588	479	3,997	1,151	0	15	8,393	
Written off on disposals		17, 19	0	(60)	(422)	(102)	(321)	(1,572)	0	0	0	(2,477)	
Adjustment on asset revaluation			0	237	2,309	0	0	4,052	(550)	0	0	6,048	
Internal transfers & Adjustments			0	23	221	0	(215)	(8)	0	0	0	21	
Carrying Amount at End of Reporting Period			0	9,186	42,794	4,543	3,282	156,171	52,889	0	153	269,018	
Total written down value 30 June 2017			149,873	14,620	50,526	2,865	1,259	129,021	69,622	0	4,759	422,545	

**DEVONPORT CITY COUNCIL**

## Notes to the Financial Report

For the year ended 30 June 2017

## 26 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment										
Note Ref.	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
<b>Asset values</b>										
	147,432	5,829	90,168	7,164	5,080	269,367	116,436	27,693	4,220	673,389
	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
17, 19	(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	21,824	87,503	6,899	5,697	273,512	122,998	0	4,683	671,888
<b>Accumulated depreciation</b>										
	0	2,073	41,560	3,902	2,562	146,665	49,179	9,280	27	255,248
14	0	185	1,269	626	529	3,906	1,072	1,066	13	8,666
17, 19	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	8,210	39,299	4,057	3,339	149,702	52,288	0	138	257,033
	148,772	13,614	48,204	2,842	2,358	123,810	70,710	0	4,545	414,855

\* Refer to Note 4 for details of prior period restatement

# DEVONPORT CITY COUNCIL

Notes to the Financial Report  
For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>27 Capital work in progress - at cost</b>		
Parks and Open Space	560	1,505
Buildings	372	167
Living City Project	24,360	4,952
Plant	357	230
Furniture and Fittings	235	179
Roads	3,026	2,989
Stormwater	490	373
	<b>29,400</b>	<b>10,395</b>
<b>28 Payables</b>		
<b>Current</b>		
Trade creditors	400	421
Accruals	3,638	2,578
Trust funds	160	183
	<b>4,198</b>	<b>3,182</b>
<b>Non - Current</b>		
Sale proceeds in advance	13,000	0
	<b>13,000</b>	<b>0</b>
<b>29 Interest bearing liabilities</b>		
<b>Current</b>		
Borrowings - secured	19,738	892
<b>Non-current</b>		
Borrowings - secured		19,615
<b>Loan Movements</b>	<b>19,738</b>	<b>20,507</b>
Opening balance	20,507	21,492
Loans raised	0	0
Repayments	(769)	(985)
Book value at period end	<b>19,738</b>	<b>20,507</b>

The maturity profile for Council's borrowings is:

Not later than one year	19,738	892
Later than one year and not later than five years	0	13,523
Later than five years	0	6,092
Total	<b>19,738</b>	<b>20,507</b>

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 2017

### 29 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.

	2017 \$'000	2016 \$'000
30 Other Financial Liabilities		
Derivative Financial Instruments	<u>307</u>	<u>0</u>

#### Accounting Policy

Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the swaps through the Statement of Profit and Loss and Other Comprehensive Income. Council has not elected to apply hedge accounting to the transactions as per AASB 9 *Financial Instruments*. Details of the fair value of the swaps is included in Note 42.

### 31 Provisions

#### Current

##### Employee entitlements:

Annual leave	1,006	1,023
Long service leave	<u>1,139</u>	<u>1,123</u>

#### Non-current

##### Employee entitlements:

Long service leave	<u>432</u>	<u>455</u>
--------------------	------------	------------

#### Total provisions

	<u>432</u>	<u>455</u>
	<u>2,577</u>	<u>2,601</u>

Included in the above employee entitlements balances is an allowance for oncosts amounting to \$165,868 (\$167,054 for 2016)

As at 30 June 2017, Devonport City Council had 144 full time equivalent employees (146 for 2016)

#### 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 2017

	2017	Restated*
	\$'000	2016 \$'000
<b>32 Capital and capital reserves</b>		
<b>(i) Asset revaluation reserve - Council</b>		
Movements in the asset revaluation reserve were as follows:		
Balance at the beginning of year	301,385	295,401
Correction of prior period error		4,083
Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value:		
Land	0	0
Parks & Open Space	387	111
Buildings	2,719	994
Roads	3,682	(2,858)
Stormwater	(2,262)	2,896
Other Infrastructure	0	532
Cultural & Heritage (includes \$21K adj. from 2015/16)	247	226
	<u>4,773</u>	<u>1,901</u>
Balance at end of year	<u><b>306,158</b></u>	<u><b>301,385</b></u>
<b>(ii) Asset revaluation reserve - Associate</b>		
Movements in the Asset Revaluation Reserve - Associate were as follows:		
Balance at the beginning of year	1,468	1,415
Share of asset revaluation movement - Associate (Note 25)	<u>(22)</u>	<u>53</u>
Balance at end of year	<u><b>1,446</b></u>	<u><b>1,468</b></u>
<b>(iii) Accumulated surplus</b>		
Movements in the Accumulated surplus as follows:		
Balance at beginning of year	196,005	194,274
Correction of prior period error		(871)
Surplus / (Deficit)	8,088	2,602
Adjustment for roundings	<u>3</u>	<u>0</u>
Balance at end of year	<u><b>204,096</b></u>	<u><b>196,005</b></u>

\* Refer to Note 4 for details of prior period restatement

### 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 2017

	2017 \$'000	2016 \$'000
<b>33 Other reserves</b>		
(a) Reserves held for funding future capital expenditure:		
Fair value investment reserve	9,829	9,266
	<u>9,829</u>	<u>9,266</u>
(b) Movements in capital reserves are analysed as follows:		
Fair value investment reserve		
Balance B/Fwd	9,266	7,833
Fair value adjustment on available for sale assets	563	1,433
	<u>9,829</u>	<u>9,266</u>

### Accounting Policy

Other reserves represent wealth which has been accumulated within the Council to meet specific anticipated future needs. As at 30 June 2017 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.

### 34 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 2017 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 2017

### 34 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 Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

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

The Fund is a defined benefit Fund.

The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 34 Superannuation (continued)

During the reporting period the amount of contributions paid to defined benefits schemes was \$70,988 (\$72,552 2015/16), and the amount paid to accumulation schemes was \$1,042,779 (\$1,016,076 2015/6).

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 at the beginning 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.

	2017 \$'000	2016 \$'000
Defined Benefits Fund	71	73
Accumulation Schemes	1,043	1,016
	<u>1,114</u>	<u>1,089</u>

The split between contributions to the Defined Benefits Fund and Accumulation Scheme for the 2016 comparative year has been adjusted by \$15,000 to correctly reflect the contributions.

### 35 Commitments

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

Purchase commitments for material supplies & equipment	<u>53,211</u>	<u>1,633</u>
Commitments are payable as follows :		
Not later than 1 year	<u>53,211</u>	<u>1,633</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. The 2017 total includes commitments to complete the construction of Stage 1 of the LIVING CITY project totally \$51,983,708 including GST.

### 36 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2017.

#### Accounting Policy

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

### 37 Trust funds

Trust deposits	<u>160</u>	<u>183</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 (2016 2.0%).

#### 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 2017

	2017 \$'000	2016 \$'000
<b>38 Reconciliation of cash flows from operating activities to surplus / (deficit)</b>		
Surplus / (deficit)	8,088	2,602
Depreciation and amortisation	8,393	8,666
Non-cash donations subsidies and contributions	(3,107)	(2,268)
Share of profit in associate	(798)	(837)
Net (gain) / loss on disposal of assets	697	492
Derecognition of assets	165	3,089
Donated assets	360	
Overhead recovery	(446)	(457)
Market value movement in fair value swaps	307	0
Investing activity		
Other investment income	(759)	(534)
Capital grants and contributions	(3,374)	(1,314)
Changes in operating assets and liabilities :	1,438	6,837
<i>(Increase) / decrease in receivables</i>	300	(594)
<i>(Increase) / decrease in prepayments</i>	(20)	17
<i>Increase / (decrease) in payables</i>	1,894	413
<i>Increase / (decrease) in employee provisions</i>	(24)	(2)
	2,150	(166)
<b>Net cash inflow from operating activities</b>	<b>11,676</b>	<b>9,273</b>

### 39 Joint Authorities

#### (i) Dulverton Regional Waste Management Authority

The Council is a partner in the Dulverton Regional Waste Management Joint Authority established under the *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 2017 the ownership share for Devonport was 43.45%.

Value of ownership share	<u>5,515</u>	<u>4,739</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. Following a decision by Council, the Authority has been notified that Council will continue as a member of the Authority until 30 June 2018 and will reassess its position at that time.

# DEVONPORT CITY COUNCIL

Notes to the Financial Report  
For the year ended 30 June 2017

## 40 Controlling Authority transactions

	2017		2016	
	Income \$'000	Expenditure \$'000	Income \$'000	Expenditure \$'000
Maidstone Park Management Controlling Authority	11	10	10	9
<b>Total</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>9</b>

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



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 41 Related party transactions

#### (i) Responsible Persons

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

<b>Aldermen</b>	S. Martin (Mayor)
	A. Rockliff (Deputy Mayor)
	C. Emmerton
	G. Goodwin
	A. Jarman
	L. Laycock
	J. Matthews
	T. Milne
	L. Perry
<b>General Manager</b>	P. West
	M. Atkins
	S. Crawford
	K. Peebles

#### (ii) Aldermen Remuneration

2017	Short term employee benefits			
	Allowances	Vehicles*	Other Benefits**	Total
	\$	\$	\$	\$
Mayor	73,369	6,581	3,620	83,570
Deputy Mayor	37,346		3,620	40,966
Aldermen	146,734		25,340	172,074
<b>Total</b>	<b>257,449</b>	<b>6,581</b>	<b>32,580</b>	<b>296,610</b>

\* relates to the taxable value of vehicle for the FBT year 1/4/2016 to 31/3/2017

\*\* relates to notional parking benefit of \$1,810 per permit per annum

#### (iii) Key Management Personnel Remuneration

2017		Short term employee benefits			Post employment benefits		
Remuneration Band	Number of employees	Salary*	Vehicles**	Other Benefits***	Super-annuation^	Other long term benefits^^	Total
		\$	\$	\$	\$	\$	\$
\$100,000 - \$120,000	1	\$ 95,113		\$ 2,091	\$ 11,700	\$ 2,722	\$ 111,626
\$160,000 - \$180,000	1	\$ 137,692	\$ 5,188	\$ 6,214	\$ 16,902	\$ 4,548	\$ 170,544
\$200,000 - \$220,000	1	\$ 171,846	\$ 7,679	\$ 6,139	\$ 21,088	\$ 4,300	\$ 211,052
\$280,000 - \$300,000	1	\$ 230,112	\$ 8,303	\$ 9,072	\$ 28,561	\$ 5,534	\$ 281,582
<b>Total</b>		<b>\$ 634,763</b>	<b>\$ 21,170</b>	<b>\$ 23,516</b>	<b>\$ 78,251</b>	<b>\$ 17,104</b>	<b>\$ 774,804</b>

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

\*\* Benefit equates to the taxable value of the provision of a motor vehicle including personal use as per the fringe benefits tax calculation for the year 1/4/2016 to 31/3/2017.

in annual leave accrual.

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

^^ Other long term employee benefits includes long service leave accrual.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 41 Related party transactions (continued)

#### (iv) Remuneration Principles

##### Aldermen

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

##### Executives

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

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, Council also contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the General Manager, is reviewed annually which encompasses a review of their remuneration package. The terms of employment of each senior executive, including the General Manager, contain a termination clause that requires the executive or Council to provide a minimum notice period prior to termination of the contract. Whilst not automatic, contracts can be extended.

#### (v) Transactions with associates

Council's interests in associates is detailed in note 25.

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

Commercial office space supplied by Council (subject to lease)	\$ 16,558
Dividend Received	\$ 782,000
Cost of transfer of waste to the regional facility maintained by DRWMA	\$ 2,363,087

At 30 June 2017 Council owed DRWMA \$173,049 for the provision of services at standard commercial terms.

#### (vi) Transactions with related parties

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

Nature of the transaction	Amount	Outstanding balance at year end	Terms and conditions
Marketing*	\$ 60,000	0	As per agreement
Sign-Writing**	\$ 8,178	0	Standard terms and conditions

\* Council pays for marketing and promotion to a company which has a relative of a member of Councils KMP as a director.

\*\* Council pays for signage to a business controlled by a close relative of a KMP.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 41 Related party transactions (continued)

#### (vii) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of Council live and operate within the municipal area. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- payment of rates on a primary residence or commercial property
- dog registration
- use of Council's recreation facilities

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

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 Financial instruments

#### (a) Accounting policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and conditions									
Financial assets												
Cash and cash equivalents	21	Cash on hand and at bank and short term deposit accounts are valued at face value.  Interest is recognised as it accrues.	Cash and deposits returned interest at rates between 1.00% and 3.10% (1.05% and 3.08% in 2015/2016). The weighted average interest rate at balance date was 2.87% (2.42% in 2015/2016).									
Receivables	22	Receivables are carried at face value. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured. Credit terms are based on 30 days. Overdue payments are lodged with a collection agency as and when deemed necessary.									
Financial liabilities												
Payables	28	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within relevant trading terms.									
Interest bearing loans	29	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	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 2.71% (5.08% in 2015/2016).									
Other financial liabilities	30	Interest rate swaps are recognised at the mark to market or fair value amount as determined by a third party. The movement in fair value is recognised as part of finance costs.	The interest rate swaps represent fixed interest charges varying between 2.09% and 2.92% (0% in 2015/ 2016). Terms range between 3 years and 7 years.									
Bank Overdraft	21	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand. The average interest rate on available overdraft was 8.46% (8.59% in 2015/2016).									
			<table><tr><td></td><td>2017</td><td>2016</td></tr><tr><td>Available Bank Overdraft Facility at year-end</td><td>\$ 100,000</td><td>\$ 100,000</td></tr><tr><td>Utilised Bank Overdraft Facility at year-end</td><td>\$ 0</td><td>\$ 0</td></tr></table>		2017	2016	Available Bank Overdraft Facility at year-end	\$ 100,000	\$ 100,000	Utilised Bank Overdraft Facility at year-end	\$ 0	\$ 0
	2017	2016										
Available Bank Overdraft Facility at year-end	\$ 100,000	\$ 100,000										
Utilised Bank Overdraft Facility at year-end	\$ 0	\$ 0										
Corporate credit cards	28	Credit card balances are recognised at the principal amount. Interest is charged as an expense as it accrues.	The credit card facility is secured by a mortgage over Council's general rates. The balance is paid in full on a monthly basis.									
			<table><tr><td></td><td>2017</td><td>2016</td></tr><tr><td>Available Credit Card Facility at year-end</td><td>\$ 70,000</td><td>\$ 70,000</td></tr><tr><td>Utilised Credit Card Facility at year-end</td><td>\$ 19,558</td><td>\$ 29,942</td></tr></table>		2017	2016	Available Credit Card Facility at year-end	\$ 70,000	\$ 70,000	Utilised Credit Card Facility at year-end	\$ 19,558	\$ 29,942
	2017	2016										
Available Credit Card Facility at year-end	\$ 70,000	\$ 70,000										
Utilised Credit Card Facility at year-end	\$ 19,558	\$ 29,942										

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 Financial instruments (continued)

#### (b) Interest rate risk

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

2017	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		
<b>Financial assets</b>						
Cash and cash equivalents	16,125	0	0	0	0	16,125
Receivables	0	4	20	11	791	826
Investment in Water Corporation	0	0		0	86,226	86,226
	16,125	4	20	11	87,017	103,177
<b>Financial liabilities</b>						
Payables	0	0	0	0	560	560
Interest bearing liabilities	0	19,738	0	0	0	19,738
	0	19,738	0	0	560	20,298
<b>Net financial assets / (liabilities)</b>	16,125	(19,734)	20	11	86,457	82,879

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		
<b>Financial assets</b>						
Cash and cash equivalents	16,975	0	0	0	0	16,975
Receivables	0	0	0	0	719	719
Investment in Water Corporation	0	0	0	0	85,664	85,664
	16,975	0	0	0	86,383	103,358
<b>Financial liabilities</b>						
Payables	0	0	0	0	604	604
Interest bearing liabilities	0	892	13,523	6,092	0	20,507
	0	892	13,523	6,092	604	21,111
<b>Net financial assets / (liabilities)</b>	16,975	(892)	(13,523)	(6,092)	85,779	82,247

Following the refinancing of debt, Council has entered into interest rate swaps to protect it from adverse changes in interest rates over time. Council is recognising the movements in the swaps through the Statement of Profit and Loss and Other Comprehensive Income. Council has not elected to apply hedge accounting to the transactions as per *AASB 9 Financial Instruments*. Six swaps are in place at 30 June 2017, however only two have a current effective date at 30 June 2017:

Amount	Date (effective)	Term (Years)	Interest Rate	Line Fee & Margin
\$5,000,000	31/10/2016	5	2.09%	0.85%
\$5,500,000	31/10/2016	7	2.26%	0.85%
\$5,000,000	31/10/2017	7	2.41%	0.85%
\$10,000,000	2/01/2018	3	2.47%	0.85%
\$10,000,000	2/01/2018	5	2.73%	0.85%
\$10,000,000	2/01/2018	7	2.92%	0.85%

As at 30 June 2017 the fixed interest rate on the swaps exceeded the variable rate with the following impact on the market value of the total swaps:

Amount	Date (effective)	Term (Years)	Interest Rate	Impact of Swap
\$5,000,000	31/10/2016	5	2.09%	(24,229)
\$5,500,000	31/10/2016	7	2.26%	(55,563)
\$5,000,000	31/10/2017	7	2.41%	(50,177)
\$10,000,000	2/01/2018	3	2.47%	86,005
\$10,000,000	2/01/2018	5	2.73%	147,445
\$10,000,000	2/01/2018	7	2.92%	203,624
<b>Total</b>				<b>307,105</b>

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 Financial instruments (continued)

#### (c) Net fair values

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

Financial Instruments

	Total carrying amount as per Statement of Financial Position		Aggregate net fair value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	16,125	16,975	16,125	16,975
Receivables	1,441	1,710	1,441	1,710
Investment in Water Corporation	86,226	85,664	86,226	85,664
<b>Total financial assets</b>	<b>103,792</b>	<b>104,349</b>	<b>103,792</b>	<b>104,349</b>
<b>Financial liabilities</b>				
Payables	4,197	3,182	4,197	3,182
Other Financial Liabilities	307	0	307	0
Interest-bearing loans and borrowings	19,738	20,507	19,738	22,857
<b>Total financial liabilities</b>	<b>24,242</b>	<b>23,689</b>	<b>24,242</b>	<b>26,039</b>

#### (d) Credit Risk

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

#### (e) Risks and mitigation

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

##### Market risk

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

##### Interest rate risk

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

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

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

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

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

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

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

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 Financial instruments (continued)

#### (e) Risks and mitigation (continued)

##### Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in its Statement of Financial Position. To help manage this risk Council has:

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

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

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

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

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provide a guarantee for another party. Details of contingent liabilities are disclosed in note 36.

##### Ageing of Trade and Other Receivables

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

	2017 \$'000	2016 \$'000
Current (less than 1 year)	1,261	1,555
Past due by over 1 year	60	75
Past due by over 2 years	27	14
Past due by over 3 years	11	6
Past due by over 4 years	51	60
Total Trade & Other Receivables	<u>1,410</u>	<u>1,710</u>



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 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 (2015/16 \$0). No provision has been raised against debtors at year end (2015/16: \$0). All long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

##### Liquidity risk

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

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

To help reduce these risks Council:

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

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

#### (e) Risks and mitigation (continued)

The table below lists the contractual maturities for financial liabilities.

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

2017	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	4,197	0	0	0	0	4,197	4,197
Interest bearing liabilities	651	19,629	0	0	0	20,280	19,738
<b>Total financial liabilities</b>	<b>4,848</b>	<b>19,629</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,477</b>	<b>23,935</b>

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 liabilities	961	961	6,922	9,205	7,165	25,214	20,507
<b>Total financial liabilities</b>	<b>4,143</b>	<b>961</b>	<b>6,922</b>	<b>9,205</b>	<b>7,165</b>	<b>28,396</b>	<b>23,689</b>

# DEVONPORT CITY COUNCIL

Notes to the Financial Report  
For the year ended 30 June 2017

## 42 Financial instruments (continued)

### (f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.5%.

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.

2017			Interest Rate Risk			
			-1%		+1%	
			-100 basis points		+100 basis points	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets:</b>		<b>2017 \$'000</b>				
Cash and cash equivalents		16,125	(161)	(161)	161	161
Receivables		35	0	0	0	0
<b>Financial liabilities:</b>						
Interest bearing liabilities		19,738	197	197	(197)	(197)

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

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 42 Financial instruments (continued)

#### (g) Fair Value Hierarchy

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

The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (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 3	Total
<b>30 June 2017</b>			
Available for sale financial assets	0	86,226	86,226
Derivative financial liabilities	307	0	307

	Level 1	Level 3	Total
<b>30 June 2016</b>			
Available for sale financial assets	0	85,664	85,664

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

	2017 \$'000	2016 \$'000
<b>Reconciliation of Level 3 fair value movements:</b>		
<b>Opening Balance</b>	85,664	84,231
Fair Value adjustments on Available-for-Sale Assets	562	1,433
<b>Closing Balance</b>	<b>86,226</b>	<b>85,664</b>

#### (h) Categories of Financial assets and Liabilities

Carrying amounts classified as:

<b>Financial assets</b>		
Cash and cash equivalents	16,125	16,975
Loans and receivables	1,441	1,710
Available for sale financial assets	86,226	85,664
<b>Total financial assets</b>	<b>103,792</b>	<b>104,349</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	23,935	23,689
<b>Total financial liabilities</b>	<b>23,935</b>	<b>23,689</b>
<b>Net Financial Assets / Liabilities</b>	<b>79,857</b>	<b>80,660</b>

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

43 Management indicators	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b>(a) Underlying surplus or deficit</b>					
Recurrent income* less		39,773	39,331	38,629	37,188
recurrent expenditure**		38,548	36,308	36,295	36,102
Underlying surplus/(deficit)	0	<u>1,225</u>	<u>3,023</u>	<u>2,334</u>	<u>1,086</u>

\* Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature. The total excludes the prepaid 2017/18 Financial Assistance Grant of \$1,020,000 received in June 2017 and \$98,507 Natural Disaster Recovery Relief income in relation to the flood event in 2016.

\*\* Recurrent expenditure includes loss on disposal of property, plant & equipment of \$697,000. The total excludes expenditure of \$191,842 in relation to the flood event in 2016.

Council has reported an underlying surplus for the 2017 year, which exceeds the benchmark of a breakeven result.

<b>(b) Underlying surplus ratio</b>					
<u>Underlying surplus or deficit</u>		1,225	3,023	2,334	1,086
Recurrent income		39,773	39,331	38,629	37,188
Underlying surplus ratio	0%	3.08%	7.69%	6.04%	2.92%

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.

<b>(c) Net financial liabilities</b>					
Liquid assets less		17,535	18,685	19,774	11,279
total liabilities*		26,819	26,290	26,632	25,438
Net financial liabilities	0	<u>(9,284)</u>	<u>(7,605)</u>	<u>(6,858)</u>	<u>(14,159)</u>

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.

\*Total liabilities has been adjusted for the \$13,000,000 proceeds on the sale of the LINC and Service Tasmania footprint in the multi-purpose building currently under construction.

Property purchases in relation to the LIVING CITY project have been funded by borrowings.

At 30 June 2017 the balance of these loans totalled \$10,869,597 (2016 \$11,346,395).

Council refinanced its debt on 29 July 2016, rolling 8 facilities into 1 with ANZ.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

43 Management indicators (continued)	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b>(d) Net financial liabilities ratio</b>					
<u>Net financial liabilities</u>		(9,284)	(7,605)	(6,858)	(14,159)
Recurrent income*	0% -( 50%)	39,773	39,331	38,629	37,188
Net financial liabilities ratio %		(23.34%)	(19.34%)	(17.75%)	(38.07%)

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>		14,620	13,573	3,715	4,000
Gross replacement cost		23,806	21,779	5,784	5,892
Asset consumption ratio %	40-60%	61%	62%	64%	68%
<i>Buildings</i>					
<u>Depreciated replacement cost</u>		50,526	48,204	48,608	44,804
Gross replacement cost		93,320	87,503	90,168	78,721
Asset consumption ratio %	40-60%	54%	55%	54%	57%
<i>Roads</i>					
<u>Depreciated replacement cost</u>		129,021	123,630	122,522	120,692
Gross replacement cost		285,192	272,377	268,232	261,568
Asset consumption ratio %	40-60%	45%	45%	46%	46%
<i>Stormwater</i>					
<u>Depreciated replacement cost</u>		69,622	67,720	64,267	63,439
Gross replacement cost		122,511	117,962	111,400	108,951
Asset consumption ratio %	40-60%	57%	57%	58%	58%

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 2017

43 Management indicators (continued)	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'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>		3,677	2,967	4,224	4,315
Projected capital expenditure funding***		8,508	6,784	7,415	7,236
Asset renewal funding ratio %	90-100%	43%	44%	57%	60%
<i>Buildings</i>					
<u>Projected capital funding outlays**</u>		7,989	6,193	6,213	5,802
Projected capital expenditure funding***		4,700	4,230	4,700	4,700
Asset renewal funding ratio %	90-100%	170%	146%	132%	123%
<i>Roads</i>					
<u>Projected capital funding outlays**</u>		35,544	28,994	32,759	32,752
Projected capital expenditure funding***		34,351	29,662	31,771	35,332
Asset renewal funding ratio %	90-100%	103%	98%	103%	93%
<i>Stormwater</i>					
<u>Projected capital funding outlays**</u>		5,955	4,773	5,029	4,368
Projected capital expenditure funding***		235	110	110	71
Asset renewal funding ratio %	90-100%	2534%	4339%	4572%	6152%

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 2017 which included a Long Term Financial Plan to 30 June 2027. That Plan included data that demonstrated Council has, on average over the 10 year life of the Plan, provided funding to renew assets in accordance with the Asset Management Plans.

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

This ratio is not subject to audit.

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

43 Management indicators (continued)	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
(g) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		5,581	5,035	3,699	7,283
Annual depreciation expense		8,393	8,666	8,702	8,910
Asset sustainability ratio %	100%	66%	58%	43%	82%

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	96	322	418
Buildings*	45	21,238	21,283
Plant	610	226	836
Furniture and Fittings	139	65	204
Roads	4,491	985	5,476
Stormwater	200	489	689
<b>Total</b>	<b>5,581</b>	<b>23,325</b>	<b>28,906</b>

\* The buildings category above includes \$20,719,349 expenditure in relation to Living City



# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 44 Fair Value Measurements

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

- Investment in water corporation
- Property, infrastructure, plant and equipment
  - Land
  - Buildings
  - Roads, including footpaths and cycleways
  - Stormwater
  - 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 2017.

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 2017

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Land	26	0	0	0	0
- LIVING CITY Land		0	7,739	0	7,739
- Other Land		0	142,134	0	142,134
Buildings	26	0	0	0	0
- LIVING CITY Buildings		0	7,141	0	7,141
- Other Buildings		0	23,756	19,629	43,385
Roads, including footpaths and cycleways	26	0	0	129,021	129,021
Stormwater	26	0	0	69,622	69,622
Other infrastructure	26	0	0	0	0
Parks & open space	26	0	0	14,620	14,620
Cultural and heritage	26	0	4,759	0	4,759
		0	185,529	232,892	418,421

# DEVONPORT CITY COUNCIL

## Notes to the Financial Report For the year ended 30 June 2017

### 44 Fair Value Measurements (cont.)

As at 30 June 2016 Restated\*

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Land	26	0	0	0	0
- LIVING CITY Land		0	5,717	0	5,717
- Other Land		0	143,055	0	143,055
Buildings	26	0	0	0	0
- LIVING CITY Buildings		0	6,440	0	6,440
- Other Buildings		0	25,724	16,040	41,764
Roads, including footpaths and cycleways	26	0	0	123,810	123,810
Stormwater	26	0	0	70,710	70,710
Other infrastructure	26	0	0	0	0
Parks & open space	26	0	0	13,614	13,614
Cultural and heritage	26	0	4,545	0	4,545
		0	185,481	224,174	409,655

#### *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 2017.

\*Refer to Note 4 for details of prior period restatement

#### (b) Highest and best use

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

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

##### Investment in Water Corporation

Refer to Note 42 and Note 24 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 2017

### 44 Fair Value Measurements (cont.)

#### Buildings

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

Where Council buildings are of a specialist nature (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. Construction costs applicable to these assets have been indexed using appropriate independent construction indexes. These buildings have been classified as level 3 in the Table above.

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

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

#### Infrastructure assets

All Council infrastructure assets were 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 14.

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 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 2017

### 44 Fair Value Measurements (cont.)

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council uses known pavement thickness for most assets and applies a 350mm default when unknown. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Agreement (EA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

#### Stormwater

A full valuation of stormwater infrastructure was undertaken by Council staff effective 30 June 2017. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

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

CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material (including pipe diameter) as well as the depth the pipe is laid.

#### 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 26 (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 26. 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 24 and 26.

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer Note 42)

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

# DEVONPORT CITY COUNCIL

Financial Report for the year ended 30 June 2017

## Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2017, 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.

A handwritten signature in blue ink, appearing to read 'Paul West', is positioned above the printed name and title.

Paul West  
**GENERAL MANAGER**

Dated: 20 September 2017.