

Devonport City Council

**ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2022**

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Statement of Comprehensive Income

For the Year Ended 30 June 2022

	Note	Budget 2022 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Income from continuing operations				
Recurrent income				
Rates and service charges	4	30,090	30,310	29,064
Fees and charges	5	5,950	6,785	5,505
Grants	6	2,637	3,504	2,914
Contributions - cash	7	8	63	4
Investment revenue from Water Corporation	8	1,092	1,310	546
Other investment revenue	9	302	531	555
Share of profit of associates accounted for by the equity method	23	800	1,234	1,229
Other income	10	796	1,330	1,221
Total recurrent income		41,675	45,067	41,038
Capital items				
Capital grants received specifically for new or upgraded assets	6	8,311	5,760	9,277
Contributions - non-monetary assets	7	0	3,117	5,352
Net loss on the disposal of property, infrastructure, plant and equipment	16	(348)	(1,593)	(458)
Capital works completed on assets not owned by Council	17	0	(51)	(61)
Donated assets	18	0	(424)	(942)
Total capital items		7,963	6,809	13,168
Total income from continuing operations		49,638	51,876	54,206
Expenses from continuing operations				
Employee benefits	11	12,975	13,354	12,307
Materials and services	12	16,200	16,057	14,785
Depreciation and amortisation	13	9,986	9,969	10,284
Finance costs	14	908	917	724
Other expenses	15	1,147	1,047	938
Total expenses from continuing operations		41,216	41,344	39,038
Result from continuing operations		8,422	10,532	15,168
Net result for the year		8,422	10,532	15,168
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Fair value adjustments on equity investment assets	22	0	2,325	6,179
Net asset revaluation increment / (decrement) - Council	32	0	(1,685)	18,793
Net asset revaluation increment / (decrement) - Associates	23	0	1,116	39
Total other comprehensive income		0	1,756	25,011
Total comprehensive result		8,422	12,288	40,179

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

Statement of Financial Position as at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current Assets			
Cash and cash equivalents	19	18,945	13,720
Trade and other receivables	20	4,326	4,407
Other assets	21	416	219
Available for sale assets	24.1	897	897
Total current assets		24,584	19,243
Non-Current Assets			
Trade and other receivables	20	310	337
Investment in Water Corporation	22	85,293	82,968
Investments in associates	23	11,235	9,172
Property, infrastructure, plant and equipment	24	532,599	535,093
Right-of-use assets	25	727	756
Capital work in progress	26	19,096	14,521
Total non-current assets		649,260	642,847
TOTAL ASSETS		673,844	662,090
Current Liabilities			
Trade and other payables	27	4,014	3,931
Interest bearing liabilities	28	1,089	1,073
Provisions	29	2,637	2,471
Lease liabilities	30	26	26
Contract liabilities	31	1,621	1,358
Total current liabilities		9,387	8,859
Non-Current Liabilities			
Interest bearing liabilities	28	45,774	46,863
Provisions	29	336	283
Lease liabilities	30	710	736
Total non-current liabilities		46,820	47,882
TOTAL LIABILITIES		56,207	56,741
NET ASSETS		617,637	605,349
Equity			
Asset revaluation reserve - Council	32	369,503	371,188
Asset revaluation reserve - Associates	32	2,816	1,700
Other reserves	33	8,896	6,571
Accumulated surplus	32	236,422	225,890
TOTAL EQUITY		617,637	605,349

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

Statement of Changes in Equity

For the Year Ended 30 June 2022

2022		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		371,188	1,700	225,890	6,571	605,349
Net result for the year		0	0	10,532	0	10,532
Other comprehensive income		(1,685)	1,116	0	2,325	1,756
Balance at end of year		369,503	2,816	236,422	8,896	617,637
2021		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		352,395	1,661	210,722	392	565,170
Net result for the year		0	0	15,168	0	15,168
Other comprehensive income		18,793	39	0	6,179	25,011
Balance at end of year		371,188	1,700	225,890	6,571	605,349

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

Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities :			
Rates and other user charges (inclusive of GST)		36,957	32,666
Net GST refund/(payment)		1,772	1,835
Interest received		24	143
Contributions - cash		63	4
Government grants and subsidies		3,667	2,890
Other receipts		1,353	1,142
Payments to suppliers and employees (inclusive of GST)		(31,433)	(27,676)
Finance costs paid		(910)	(3,606)
Other payments		(905)	(786)
Net cash flows provided by operating activities	38	10,588	6,612
Cash flows from investing activities :			
Payments for non current assets		(12,647)	(15,263)
Proceeds from sale of non current assets		350	638
Capital grants		5,860	8,853
Investment revenue from Water Corporation		1,310	546
Distribution from Associate		287	287
Other investments		524	424
Loans to community organisations		26	25
Net cash used in investing activities		(4,290)	(4,490)
Cash Flows from financing activities :			
Proceeds from borrowings		0	48,200
Repayment of lease liabilities (principal repayments)		0	(51)
Repayment of borrowings		(1,073)	(50,281)
Net cash used in financing activities		(1,073)	(2,132)
Net increase/(decrease) in cash and cash equivalents		5,225	(10)
Cash and cash equivalents at beginning of the financial year		13,720	13,730
Cash and cash equivalents at end of the financial year	19	18,945	13,720

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

Reporting Entity

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

1 Statement of accounting policies

(a) Basis of accounting

These financial statements are a general purpose financial report that consists of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes. The general purpose financial report complies with Australian Accounting Standards and the *Local Government Act 1993 (LGA1993) (as amended)*. Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars.

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

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

All entities controlled by Council that have material assets or liabilities, such as special committees of management, and material subsidiaries or joint ventures, have been included in this financial report. Where relevant, all transactions between these entities and Council have been eliminated in full.

(b) Judgements and assumptions

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the financial report are disclosed in the relevant notes as follows:

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in Note 29.

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.

1 Statement of accounting policies (continued)

Fair Value of Property Plant & Equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in Note 1(g) and Notes 24 and 44.

Investment in water corporation

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

(c) Adoption of new and amended accounting standards

In the current year, Council has reviewed and assessed all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board, and determined that none would have a material effect on Council's operations or financial reporting.

(d) Pending Accounting Standards

In the current year, Council has reviewed and assessed all the new accounting standards and interpretations that have been published, with future effective dates, and determined they are either not applicable to Council's activities, or would have no material impact.

1 Statement of accounting policies (continued)

(e) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(f) Taxation

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

Goods and Services Tax (GST)

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

Cash flows are presented in the Statement of Cash Flows on a net basis.

(g) Impairment of non-financial assets

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

(h) Rounding

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

(i) Budget

The estimated revenue and expense amounts in the Statement of Other Comprehensive Income represent original budget amounts and are not audited.

1 Statement of accounting policies (continued)

(j) Change in accounting treatment

During the year Council voluntarily changed the valuation methodology for one building asset. This change was based on external advice received from Deloitte in 2020, and coincides with the revaluation of the entire Buildings asset class. Council determined to value this building using the same methodology as for other commercial buildings, that is, by adopting the valuation supplied by the office of the Valuer-General. In the past the building had been valued by using the indexed construction cost as construction of the building was completed in 2018. Council determined that the change in valuation methodology ensured consistency with other buildings where the building has a market value in an open and active market.

The change in valuation impacted on the carrying value of the asset and subsequent depreciation expense. The adjustment was processed in the 2022 year and no prior period adjustment has been made. The impact of the revaluation is reflected in the Asset Revaluation Reserve. The financial impact on the Balance Sheet is shown below:

	\$'000
Prior to change	
Buildings valued at indexed construction cost	16,595
Accumulated depreciation	1,404
Written down value and Fair Value	<u><u>15,191</u></u>
After change	
Buildings valued at Valuer-General market value	6,569
Accumulated depreciation	444
Written down value and Fair Value	<u><u>6,125</u></u>
Net adjustment	<u><u>9,066</u></u>
Adjustment to annual depreciation expense	<u><u>167</u></u>

2 Functions / activities

(a) Council's functions and activities

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

Programs	Revenue		Expenses	Surplus/(deficit) for Year	Assets
	Grants	Other			
	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000
Corporate	3,317	29,861	8,986	24,192	88,871
Community, Cultural & Recreation	192	2,721	7,999	(5,086)	18,700
Parking	0	2,695	1,838	857	20,040
Economic Development	2,507	0	440	2,067	12,655
Roads	2,326	590	7,889	(4,973)	143,750
Stormwater	0	871	2,366	(1,495)	93,208
Waste Management	11	5,388	4,920	479	1,672
Parks & Gardens	911	(452)	4,585	(4,126)	210,396
Buildings	0	3	404	(401)	80,434
Infrastructure Administration	0	93	304	(211)	3,957
Regulatory Services	0	842	1,613	(771)	161
TOTAL	9,264	42,612	41,344	10,532	673,844

2021

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

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

	2022 \$'000	2021 \$'000
Current assets	24,584	19,243
Non-current assets	649,260	642,847
	673,844	662,090

2 Functions / activities continued

(c) - Council's programs and activities

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

CORPORATE

This Program includes the following activities

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

COMMUNITY, CULTURAL AND RECREATION

This Program includes the following activities

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

ECONOMIC DEVELOPMENT

This Program includes the following activities

LIVING CITY Project
Economic Development

PARKING

Parking

ROADS

This Program includes the following activities

Roads Maintenance

STORMWATER

This Program includes the following activities

Stormwater Maintenance

WASTE MANAGEMENT

This Program includes the following activities

Waste Management Operations

PARKS & GARDENS

This Program includes the following activities

Parks & Open Space Maintenance
Cemetery Operations

BUILDINGS

This Program includes the following activities

Building Maintenance

INFRASTRUCTURE ADMINISTRATION

This Program includes the following activities

Project Management
Engineering Services
Plant Services
Asset Management

REGULATORY SERVICES

This Program includes the following activities

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

3 Significant business activities

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

		2022		
		Parking	Waste Management	paranaple Arts Centre and Convention Centre
		\$'000	\$'000	\$'000
Operating Statement				
Revenue				
Fees and charges		1,859	5,198	813
Other		856	190	53
Grants and contributions		0	0	112
Total revenue		2,715	5,388	978
Expenses - Direct				
Employee costs		337	671	1,289
Materials and services		806	4,196	1,416
Levies and taxes		253	3	81
Total expenses (before depreciation)		1,396	4,870	2,786
Capital costs				
Depreciation expense		262	50	623
Opportunity cost of capital	1.92%	387	38	317
(Gain) / loss on sale of non-current assets		22	0	0
		671	88	940
Calculated surplus / (deficit)		648	430	(2,748)
Income Tax Equivalent Rate 30%				
Income tax equivalent		195	129	0
Total fully attributed costs		2,261	5,087	3,726

3 Significant business activities (cont.)

Operating Statement Revenue

Fees and charges
Other
Grants and contributions
Total revenue

Expenses - Direct

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

Capital costs

Depreciation expense
Opportunity cost of capital 2.92%
(Gain) / loss on sale of non-current assets

Calculated surplus / (deficit)

Total fully attributed costs

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

Accounting policy

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality, that Parking, Waste Management, the paranaple Art Centre and the paranaple Convention Centre 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 1.92% (2020/21 2.92%) of assets; and
- income tax equivalents are calculated using the company tax rate

4 Rates and service charges

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

	2022 \$'000	2021 \$'000
General rates	22,713	22,008
Penalty income from overdue rates and charges	108	110
Waste management rates & charges	4,378	4,007
Fire Service Levy	3,111	2,939
Total rates and service charges	<u>30,310</u>	<u>29,064</u>

The date of the last general revaluation of land for rating purposes within the municipal area was 1 July 2014, this valuation was first applied in the rating year commencing 1 July 2015. The 6 yearly cyclical revaluation that was to be undertaken in 2021 was rescheduled due to COVID-19 and was undertaken in 2022 to be applied for the 2022/23 financial year as at 1 July 2022 .

Accounting Policy

Council recognises revenue from rates and annual charges for the amount it is expected to be entitled to at the beginning of the rating period to which they relate, or when the charge has been applied. Rates and charges in advance are recognised as a financial liability until the beginning of the rating period to which they relate.

	2022 \$'000	2021 \$'000
5 Fees and charges		
Admission charges	47	16
Animal registrations	88	86
Cemetery fees	223	207
Certificate charges	222	205
Development fees	518	459
Equipment hire fees	67	33
Facility hire	507	344
Fines	651	593
Licences	70	26
Parking fees	1,859	1,736
Property leases & rental	1,051	716
Sales of goods	661	364
Waste management fees	821	720
	<hr/>	<hr/>
Total fees and charges	<u>6,785</u>	<u>5,505</u>

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

Accounting Policy

Parking fees and fines are recognised when or as the performance obligation is completed, or when the taxable event has been applied and Council has an unconditional right to receive payment.

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

	2022 \$'000	2021 \$'000
6 Grants		
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	1,720	1,355
Commonwealth Government Financial Assistance Grants - Roads	1,518	1,325
Arts	133	78
Community projects	48	62
Roads	85	94
Total recurrent grants	<u>3,504</u>	<u>2,914</u>
Capital grants received specifically for new or upgraded assets		
Roads to Recovery	507	505
Community Projects	27	97
State Government - Road Projects	986	207
State Government - Bus Stop Infrastructure	14	237
Electric Vehicle Charging Station	0	40
Urban Renewal - 'LIVING CITY' Project	2,507	5,000
Sports Infrastructure	641	2,178
Federal Government - Local Roads and Community Infrastructure Projects	934	495
Federal Government - Drought Communities Projects	144	518
Total capital grants	<u>5,760</u>	<u>9,277</u>
Total grants	<u>9,264</u>	<u>12,191</u>

	2022 \$'000	2021 \$'000
6 Grants (continued)		
Unspent grants and contributions		
Grants and contributions which were obtained on the condition that they be spent for specified purposes or in a future period, but which are not yet spent in accordance with those conditions, are as follows:		
Operating		
Balance of unspent funds at 1 July	68	64
Add: Funds received and not recognised as revenue in the current year	60	29
Less: Funds received in prior year but revenue recognised and funds spent in current year	(68)	(25)
Balance of unspent funds at 30 June	<u>60</u>	<u>68</u>
Capital		
Balance of unspent funds at 1 July	1,290	1,718
Add: Funds received and not recognised as revenue in the current year	1,336	684
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,235)	(1,112)
Balance of unspent funds at 30 June	<u>1,391</u>	<u>1,290</u>
Total unspent funds	<u><u>1,451</u></u>	<u><u>1,358</u></u>

Accounting Policy

Council recognises untied grant revenue and those without performance obligations when received. In cases where funding includes specific performance obligations or is to acquire or construct a recognisable non-financial asset, a liability is recognised for funds received in advance and recognises income as obligations are fulfilled.

The performance obligations are varied based on the agreements and include improvements to existing infrastructure and construction of new infrastructure.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), a contract liability is recognised for the excess of the fair value of the transfer over any related amounts recognised and revenue is recognised as the unspent funds are expended at the point in time at which required performance obligations are completed.

For construction projects, the performance obligation is generally met as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin. For acquisition of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

In 2021 the Commonwealth has made early payment of the first two quarterly instalments of untied Financial Assistance Grants for the following year. In 2022 the Commonwealth has made early payment of the first three quarterly instalments of untied Financial Assistance Grants for the following year. The early receipt of the additional instalment resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2021-22 by \$443K. This has impacted the Statement of Comprehensive Income resulting in the Net result for the year being higher by the same amount.

	2022 \$'000	2021 \$'000
7 Contributions		
Cash		
Training contributions	(2)	8
Sundry	20	0
Developer Contribution	45	(4)
Total	<u>63</u>	<u>4</u>
Non- monetary assets		
Land under roads	170	0
Parks and Open Space	0	19
Roads	826	3,542
Stormwater	933	1,791
Cultural & Heritage	1,188	0
Total	<u>3,117</u>	<u>5,352</u>

Accounting Policy

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

During the year Council received \$25,000 from the State Government in relation to modifications and improvements at the East Devonport Recreation Centre. The Centre continues to be used as a COVID testing site by the State Government. These funds are shown as a Developer Contribution above.

During the year Council valued the collection of social history memorabilia and artefacts donated to the Bass Strait Maritime Centre over a number of years. The total value attributed to these assets is \$1,181,812 and has been recognised as a Cultural & Heritage Contribution above.

	2022 \$'000	2021 \$'000
8 Investment revenue from Water Corporation		
Dividend revenue	1,310	546
Total investment revenue from TasWater	<u>1,310</u>	<u>546</u>

Accounting Policy

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

9 Other investment revenue

Interest received from investments	68	100
Tax equivalent payment received	463	455
Total other investment revenue	<u>531</u>	<u>555</u>

Accounting Policy

Interest is recognised progressively as it is earned.

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

10 Other income

Commission	172	156
Recoverables	430	563
Miscellaneous	728	502
Total Other revenue	<u>1,330</u>	<u>1,221</u>

Accounting Policy

Other income is recognised progressively as it is earned.

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

	2022 \$'000	2021 \$'000
11 Employee benefits		
Total wages and salaries	9,936	9,301
Annual and long service leave entitlements	1,299	1,153
Superannuation (Note 34)	1,374	1,234
Workers compensation and payroll tax	948	919
	<u>13,557</u>	<u>12,607</u>
Other employee related expenses	162	144
	<u>13,719</u>	<u>12,751</u>
Less amounts capitalised	<u>(365)</u>	<u>(444)</u>
	<u>13,354</u>	<u>12,307</u>

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

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

12 Materials and services

Advertising, printing & other office costs	180	130
Computer services and maintenance	776	739
Consultants	224	215
Contractors	5,549	5,425
General - services & materials	1,800	1,234
Low-value leases	124	95
Insurance	403	366
Levies & taxes	4,000	3,771
Memberships - organisations	272	259
Plant expenses	521	450
Professional services	347	105
Telephone & postage services	182	173
Utilities	1,679	1,823
	<u>16,057</u>	<u>14,785</u>

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

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

	2022 \$'000	2021 \$'000
13 Depreciation		
<i>Property, infrastructure, plant and equipment</i>		
Parks and open space	888	708
Buildings	2,295	2,718
Plant	530	592
Furniture and fittings	503	456
Roads	4,175	4,234
Stormwater	1,549	1,510
Cultural and heritage	0	10
	<u>9,940</u>	<u>10,228</u>
<i>Right-of-use assets</i>		
Right-of-use assets	<u>29</u>	<u>56</u>
Total depreciation and amortisation	<u>9,969</u>	<u>10,284</u>

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives in a manner which reflects consumption of the service potential embodied in those assets. Right-of-use assets are amortised over the lease term. Estimates of remaining useful lives and residual values are made on a regular basis and depreciation rates and methods are reviewed annually.

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

Land, artworks and road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation and amortisation periods used are listed below and are consistent with the prior year unless otherwise stated:

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

	2022 \$'000	2021 \$'000
Interest - borrowings	909	1,423
Interest - lease liabilities	8	8
Market Value Movement in Interest Rate Swaps	0	(707)
	<u>917</u>	<u>724</u>

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

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

15 Other expenses

General expenses	82	43
Bank fees	66	75
Bad and doubtful debts	142	154
Councillors' remuneration	291	280
Grants and community benefits	466	386
	<u>1,047</u>	<u>938</u>

Audit fees are included in general expenses. Audit fees including travel expenses paid or payable to the Tasmanian Audit Office to audit the financial statements for 2021/22 total \$49,460 (2020/21: \$50,160 including \$3,060 for travel). Other audit services performed were the audits relating to the grant acquittal for Levelling the playing field funding 2021/22: \$3,500, LRCI funding 2021/22: \$3,165 and Roads to Recovery funding 2021/22: \$1,922 (2020/21: \$1,750).

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

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

	2022 \$'000	2021 \$'000
16 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds from sale	350	638
Written down value of assets disposed	<u>(1,943)</u>	<u>(1,096)</u>
	<u>(1,593)</u>	<u>(458)</u>

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

Accounting Policy

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

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

17 Capital works completed on assets not owned by Council

Capital works on assets not owned by Council	<u>(51)</u>	<u>(61)</u>
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Capital works completed on assets not owned by Council includes works on State Government road assets such as traffic signals.

18 Donated assets

Donated assets	<u>(424)</u>	<u>(942)</u>
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In the 2021/22 financial year Council transferred 108 Tarleton Street, East Devonport for no cost to not for profit organisation Housing Choices Tasmania Limited. Housing Choices is an independent, not-for-profit housing provider. The value of donated land and buildings was \$424K.

In the 2020/21 financial year Council gifted the historic Julie Burgess fishing ketch to a community organisation created to operate the vessel. The donated value of the vessel and associated assets was \$942K.

	2022	2021
	\$'000	\$'000
19 Cash and cash equivalents		
Cash at bank and on hand	1,535	346
Investments	<u>17,410</u>	<u>13,374</u>
	<u>18,945</u>	<u>13,720</u>
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
- Unspent grant funds with conditions (Note 6)	(1,451)	(1,358)
- Leave provisions (Note 29)	(2,973)	(2,754)
- Trust funds and deposits (Note 37)	<u>(234)</u>	<u>(178)</u>
Restricted Funds	<u>(4,658)</u>	<u>(4,290)</u>
Total unrestricted cash and cash equivalents	<u>14,287</u>	<u>9,430</u>

Accounting Policy

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

Restricted funds

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

	2022 \$'000	2021 \$'000
20 Trade and other receivables		
(i) Current receivables		
Rates	689	678
Infringement debtors	137	81
Sundry debtors	2,836	2,959
Planning & health debtors	24	6
Provision for expected credit loss	(30)	(30)
Net GST receivable	322	326
Loans and advances	28	27
Accrued revenue	320	360
Total current receivables	<u>4,326</u>	<u>4,407</u>
(ii) Non-current receivables		
Loans and advances	310	337
Total non-current receivables	<u>310</u>	<u>337</u>
Total trade and other receivables	<u><u>4,636</u></u>	<u><u>4,744</u></u>
Reconciliation of movement in expected credit loss		
Carrying amount at 1 July	30	61
Increase/(decrease) in provision recognised in profit or loss	0	(31)
Carrying amount at 30 June	<u><u>30</u></u>	<u><u>30</u></u>

Accounting Policy

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

For rates debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

	2022 \$'000	2021 \$'000
21 Other assets		
(ii) Current assets		
Prepayments	368	215
Other deposits	<u>48</u>	<u>4</u>
Total other assets	<u>416</u>	<u>219</u>

Accounting Policy

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

22 Investment in Water Corporation

Opening Balance	82,968	76,789
Fair value adjustments on equity investment assets	<u>2,325</u>	<u>6,179</u>
Total investment in Water Corporation	<u>85,293</u>	<u>82,968</u>

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

Accounting Policy

As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: Financial Instruments to irrevocably classify this equity investment as designated as fair value through other comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer Note 33) and not reclassified through the profit or loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2022, Council holds a 5.15% ownership interest in TasWater (2021, 5.26%) which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

2022
\$'000

2021
\$'000

23 Investments in associates

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

Dulverton Regional Waste Management Authority	<u>11,235</u>	<u>9,172</u>
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Dulverton Regional Waste Management Authority (Dulverton)

Dulverton Regional Waste Management Authority is a Joint Authority established under the *Local Government Act 1993* (as amended). Further information is provided in Note 39.

Council's ownership interest in the Authority at 30 June 2022 was 43.45% (43.45% in 2021).

Reconciliation

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

Authority's profit/(loss) before tax	4,313	3,817
Add: Prior year adjustment	(395)	4
Less: Authority's tax expense	<u>(1,078)</u>	<u>(993)</u>
Authority's profit/(loss) after tax	<u>2,840</u>	<u>2,828</u>
Council's equity interest	43.45%	43.45%
Share of profit after tax	<u>1,234</u>	<u>1,229</u>

	2022	2021
	\$'000	\$'000
23 Investments in associates (continued)		
Movement in carrying value of investment		
Carrying value of investment at start of year	9,172	8,191
Share of profit after tax	1,234	1,229
Dividend received	(287)	(287)
Share of asset revaluation	1,116	39
	<u>11,235</u>	<u>9,172</u>
Carrying value of investment at end of year	<u>11,235</u>	<u>9,172</u>

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

Total Assets	80,173	40,022
Total Liabilities	54,315	18,912
Revenue	13,131	12,040

The investment value in Dulverton Regional Waste Management Authority recognised in the 2022 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 2023 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.

	2022 \$'000	2021 \$'000
24 Property, infrastructure, plant and equipment		
<i>Summary</i>		
at cost	14,613	15,450
Less: Accumulated depreciation	<u>(8,681)</u>	<u>(8,649)</u>
	<u>5,932</u>	<u>6,801</u>
at fair value as at 30 June	849,087	845,993
Less: Accumulated depreciation	<u>(322,420)</u>	<u>(317,701)</u>
	<u>526,667</u>	<u>528,292</u>
Total	<u>532,599</u>	<u>535,093</u>
(a) (i) Land		
at fair value	<u>68,572</u>	<u>76,389</u>
(ii) Land under roads		
at fair value	<u>103,157</u>	<u>102,947</u>
(iii) Parks and open space		
at fair value	44,456	43,571
Less : Accumulated depreciation on improvements	<u>(18,716)</u>	<u>(17,831)</u>
	<u>25,740</u>	<u>25,740</u>
(iv) Buildings		
at fair value	135,561	143,805
Less: Accumulated depreciation	<u>(44,704)</u>	<u>(50,866)</u>
	<u>90,857</u>	<u>92,939</u>
(v) Plant		
at cost	8,089	8,151
Less: Accumulated depreciation	<u>(4,836)</u>	<u>(4,857)</u>
	<u>3,253</u>	<u>3,294</u>
(vi) Furniture and fittings		
at cost	6,524	7,299
Less: Accumulated depreciation	<u>(3,845)</u>	<u>(3,792)</u>
	<u>2,679</u>	<u>3,507</u>
(vii) Total cultural and heritage assets		
at fair value	4,626	3,326
Less: Accumulated depreciation	<u>(10)</u>	<u>(10)</u>
	<u>4,616</u>	<u>3,316</u>

	2022 \$'000	2021 \$'000
24 Property, infrastructure, plant and equipment (continued)		
(vii) Total infrastructure assets		
at fair value	492,715	475,955
Less: Accumulated depreciation	<u>(258,990)</u>	<u>(248,994)</u>
	<u>233,725</u>	<u>226,961</u>
Infrastructure assets comprise:		
Roads	141,632	139,069
Stormwater	<u>92,093</u>	<u>87,892</u>
	<u>233,725</u>	<u>226,961</u>
Total net value of non current assets	<u>532,599</u>	<u>535,093</u>

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

24 Property, infrastructure plant and equipment

Reconciliation of property, infrastructure, plant and equipment									
For the Year Ended 30 June 2022									
	Balance at beginning of financial year	Acquisition of assets and Contributions	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Available for sale assets	Transfers	Balance at end of financial year
	\$'000	\$'000	Note 32 \$'000	Note 13 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment									
Land	76,389	-	(7,120)	-	(657)	-	-	(40)	68,572
Land under roads	102,947	170	-	-	-	-	-	40	103,157
Parks and Open Space	25,740	536	712	(888)	(364)	-	-	4	25,740
Buildings	92,939	1,317	(862)	(2,295)	(305)	-	-	63	90,857
Plant	3,294	657	-	(530)	(168)	-	-	-	3,253
Furniture and Fittings	3,507	175	-	(503)	(433)	-	-	(67)	2,679
Roads	139,069	5,955	1,161	(4,175)	(378)	-	-	-	141,632
Stormwater	87,892	1,503	4,309	(1,549)	(62)	-	-	-	92,093
Cultural and Heritage	3,316	1,187	113	-	-	-	-	-	4,616
Total	535,093	11,500	(1,687)	(9,740)	(2,367)	-	-	-	532,599

Reconciliation of property, infrastructure, plant and equipment										
For the Year Ended 30 June 2021	Balance at beginning of financial year	Acquisition of assets and Contributions	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Available for sale assets	Transfers	Balance at end of financial year	
	\$'000	\$'000	Note 32 \$'000	Note 13 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment										
Land	71,667	17	5,544	-	(234)	-	(605)	-	76,389	
Land under roads	94,997	31	7,919	-	-	-	-	-	102,947	
Parks and Open Space	15,954	2,314	8,104	(708)	(41)	-	-	117	25,740	
Buildings	98,817	2,079	(5,192)	(2,718)	(364)	-	317	-	92,939	
Plant	3,642	338	-	(592)	(94)	-	-	-	3,294	
Furniture and Fittings	3,268	702	-	(456)	(8)	-	(1)	2	3,507	
Roads	135,405	6,478	1,800	(4,234)	(285)	-	(95)	-	139,069	
Stormwater	85,137	3,060	1,275	(1,510)	(70)	-	-	-	87,892	
Cultural and Heritage	5,017	27	(657)	(10)	(942)	-	-	(119)	3,316	
Total	513,904	15,046	18,793	(10,228)	(2,038)	-	(384)	-	535,093	

24 Property, infrastructure, plant and equipment (continued)

Accounting Policy

Acquisition and Recognition

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

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

Property, infrastructure, land and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

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

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

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

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

24 Property, infrastructure, plant and equipment (continued)

Revaluation

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

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

Subsequent to the initial recognition of assets, non-current physical assets, other than plant, equipment and office furniture, are measured at their fair value in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

Recognition and measurement of assets

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent fair value. The valuation is performed either by experienced Council officers or independent experts.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 44.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

The Bass Strait Maritime Centre Collection has been independently assessed by Gavin Fry and Roland-Michel Laroche. Gavin Fry is an approved Valuer under the Commonwealth's Cultural Gifts Program, specialising in Australian art, maritime art and artefacts, naval material, and war related art. 1995-present. He is also an Expert Examiner under the Movable Cultural Heritage Act, Department of Communications & The Arts – 2010 – present. Roland-Michel Laroche is an Official Valuer as listed by the Australian Government Attorney-General's Ministry for the Arts Cultural Gifts Program Section 30-200 of the Income Tax Assessment Act 1997.

The Sister Cities Collection has been independently assessed by Ross Searle, Heritage, Museums and Galleries Consultant with assistance from recognised expert Rohan Sulich. Ross Searle is an approved valuer under the Commonwealths Cultural Gifts Program and has extensive experience in valuing cultural assets in the local government and university sectors. Rohan Sulich until 2019 was the head of Christies Australia and is a recognised expert in the decorative arts field.

	2022 \$'000	2021 \$'000
24.1 Assets held for sale		
Opening balance	897	513
Internal transfer from assets held for sale	0	(513)
Internal transfers to assets held for sale	0	897
	<u>0</u>	<u>384</u>
Closing balance	<u>897</u>	<u>897</u>
Assets held for sale		
Land	800	1,226
Furniture & Fittings	2	2
Roads	95	95
	<u>897</u>	<u>1,323</u>
Impairment adjustment	0	(426)
Closing balance	<u>897</u>	<u>897</u>

Council has determined that it will sell the following properties:

Land located at 16-20 Edwards St

Land located at 29 Fenton Way

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

Accounting policy

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and is not subject to depreciation. Non-current assets, disposal groups and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

25 Right-of-use assets	2022 \$'000	2021 \$'000
	Property	
Opening Balance at 1 July	756	812
Additions	0	0
Depreciation expense	(29)	(56)
Balance at 30 June	<u>727</u>	<u>756</u>

25 Right-of-use assets (continued)

Accounting policy

Leases - Council as Lessee

In contracts where Council is a lessee, Council recognises a right-of-use asset and a lease liability at the commencement date of the lease, unless the short-term or low-value exemption is applied. Refer to Note 30 for details on accounting policy of lease liability.

A right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

All right-of-use assets are measured as described in the accounting policy for property, infrastructure, plant and equipment in Note 24. Also, Council applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the aforesaid note.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Council expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

	2022 \$'000	2021 \$'000
26 Capital work in progress - at cost		
Parks and Open Space	12,927	8,147
Buildings	2,232	2,006
Plant	54	365
Furniture and Fittings	650	279
Roads	2,118	2,836
Stormwater	1,115	888
	<u>19,096</u>	<u>14,521</u>

Accounting Policy

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

27 Trade and other payables

Trade creditors & accruals	3,177	3,196
Rates and charges in advance	603	557
Trust funds	234	178
Total trade and other payables	<u>4,014</u>	<u>3,931</u>

Accounting policy

Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received. General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt. Further information on Trust Funds are disclosed in Note 37.

Rates and charges in advance represents amounts received by Council prior to the commencement of the rating or charging period. Revenue is recognised by Council at the beginning of the rating or charge period to which the advance payment relates.

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

	2022 \$'000	2021 \$'000
28 Interest bearing liabilities		
Current		
Borrowings - secured	<u>1,089</u>	<u>1,073</u>
Non-current		
Borrowings - secured	<u>45,774</u>	<u>46,863</u>
	<u>46,863</u>	<u>47,936</u>
Loan Movements		
Opening balance	47,936	50,017
Loans raised	0	48,200
Repayments	<u>(1,073)</u>	<u>(50,281)</u>
Book value at period end	<u>46,863</u>	<u>47,936</u>
The maturity profile for Council's borrowings is:		
Not later than one year	1,089	1,073
Later than one year and not later than five years	31,310	15,868
Later than five years	<u>14,464</u>	<u>30,995</u>
	<u>46,863</u>	<u>47,936</u>

Council refinanced its borrowings in 2021 to take advantage of lower interest rates and achieve repayment certainty over the medium and longer term. Loans as at 30 June 2022 include a variable rate loan of \$11.6M, a fixed interest loan of \$20.3M that matures in 2026 and a fixed interest loan of \$15M that matures in 2041 with a residual balance of \$6.7M.

Accounting Policy

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

Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period. Borrowings are secured by way of mortgages over the general rates of the Council.

	2022 \$'000	2021 \$'000
29 Provisions		
Current		
Employee entitlements:		
Annual leave and other leave	1,292	1,252
Long service leave	1,345	1,219
	<u>2,637</u>	<u>2,471</u>
Non-current		
Employee entitlements:		
Long service leave	336	283
	<u>336</u>	<u>283</u>
Total provisions	<u>2,973</u>	<u>2,754</u>

Included in the above employee entitlements balances is an allowance for on costs amounting to \$205,573 (2021: \$191,282)

As at 30 June 2022, Devonport City Council had 151 full time equivalent employees (2021:141).

Accounting Policy

Short term employee benefit obligations

Liabilities for wages and salaries, rostered days off, annual leave and long service leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate on costs such as workers compensation and payroll costs. The liabilities for annual leave and long service leave are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long term employee benefit obligations

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

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

Sick leave

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

	2022 \$'000	2021 \$'000
Current	26	26
Non current	<u>710</u>	<u>736</u>
Lease liability	<u>736</u>	<u>762</u>

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

As at 30 June 2022	Minimum lease payments due						Total \$'000
	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	more than 5 years \$'000	
Lease payments	33	33	33	33	33	667	832
Finance charges	(7)	(7)	(7)	(7)	(7)	(61)	(96)
Net present value	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>606</u>	<u>736</u>
As at 30 June 2021							
Lease payments	33	33	33	33	33	699	865
Finance charges	(7)	(7)	(7)	(7)	(7)	(68)	(103)
Net present value	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>631</u>	<u>762</u>

Accounting policy

Leases - Council as Lessee

The lease liability is measured at the present value of outstanding payments that are not paid at balance date, discounted by using the rate implicit in the lease/incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Short term leases and leases of low-value assets

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

	2022 \$'000	2021 \$'000
31 Contract liabilities		
Current		
Funds received to acquire or construct an asset controlled by Council	1,390	1,290
Funds received prior to performance obligation being satisfied (Upfront payments)	<u>231</u>	<u>68</u>
Total contract liabilities	<u>1,621</u>	<u>1,358</u>

Accounting Policy

Council recognised the following contact liabilities with customers:

i) Grants received in advance includes funding for the construction of improvements to existing sporting facilities to accommodate the increased number of female participants. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue.

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

32 Capital and revenue reserves

(i) Asset revaluation reserve - Council

Movements in the asset revaluation reserve were as follows:

Balance at the beginning of year	371,188	352,395
Increment / (decrement) to capital non-current assets at end of period to reflect a change in current fair value:		
Land	(7,120)	5,544
Land under roads	0	7,919
Parks & Open Space	712	8,104
Buildings	(862)	(5,192)
Roads	1,161	1,800
Stormwater	4,309	1,275
Cultural & Heritage	113	(657)
Adjustment for rounding	<u>2</u>	<u>0</u>
	<u>(1,685)</u>	<u>18,793</u>
Balance at end of year	<u>369,503</u>	<u>371,188</u>

	2022 \$'000	2021 \$'000
32 Capital and revenue reserves (continued)		
(ii) Asset revaluation reserve - Associate		
Movements in the Asset Revaluation Reserve - Associate were as follows:		
Balance at the beginning of year	1,700	1,661
Share of asset revaluation movement - Associate (Note 23)	<u>1,116</u>	<u>39</u>
Balance at end of year	<u>2,816</u>	<u>1,700</u>
(iii) Accumulated surplus		
Movements in the Accumulated surplus as follows:		
Balance at beginning of year	225,890	210,722
Surplus / (Deficit)	<u>10,532</u>	<u>15,168</u>
Balance at end of year	<u>236,422</u>	<u>225,890</u>

Accounting Policy

Asset revaluation reserve

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

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

Accumulated surplus

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

33 Other reserves

(a) Fair value reserve

Equity Investment assets

Balance B/Fwd	6,571	392
Fair value adjustment on equity investment assets (Note 22)	<u>2,325</u>	<u>6,179</u>
Balance as at 30 June	<u>8,896</u>	<u>6,571</u>

Accounting Policy

Council is required to designate its investment in the Water Corporation as an equity investment at fair value through other comprehensive income. Subsequent changes in fair value are reflected in the reserve and will not be reclassified through the profit or loss when derecognised. Equity Investment assets within the Fair value reserve were previously classified as 'Available for sale assets'.

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

For the year ended 30 June 2022 the Council contributed 0% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2020. The review disclosed that at that time the net market value of assets available for funding member benefits was \$51,939,000, the value of vested benefits was \$43,411,000, the surplus over vested benefits was \$8,528,000, the value of total accrued benefits was \$43,562,000, and the number of members was 95. These amounts relate to all members of the Fund at the date of valuation and no asset or liability is recorded in the Tasplan Super's financial statements for Council employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

Net Investment Return	3.5% p.a.
Salary Inflation	2.75% pa
Price Inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2020.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2020.
3. Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2020.

Given the strong financial position of the Fund, the Actuary recommended that the Council consider a contribution holiday and contribute 0% of salaries from 1 July 2022 to 30 June 2024.

The Actuary will continue to undertake a brief review of the financial position of the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2023 and is expected to be completed late in 2023.

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

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

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

The 2021 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is consistent with the method used at the previous actuarial review in 2017.

34 Superannuation (continued)

Under the aggregate funding method of financing the benefits, the stability of the Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, the Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

In terms of Rule 27.4 of the Tasplan Trust Deed (Trust Deed), there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Rule 27.4 (b) (A). However, there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.

The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

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

The Fund is a defined benefit Fund.

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

During the reporting period the amount of contributions paid to defined benefits schemes was \$0 (2020/21, \$0), and the amount paid to accumulation schemes was \$1,362,143.69 (2020/21, \$1,234,361).

During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$0, and the amount expected to be paid to accumulation schemes is \$1,427,197 (2020/21, \$1,374,098).

As reported above, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2020. Favourable investment returns, since that date, has seen further improvement in the financial position of the Fund. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2023.

An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Deloitte Consulting Pty Ltd as at 30 June 2021, showed that the Fund had assets of \$54.52 million and members' Vested Benefits were \$45.12 million. These amounts represented 0.21% and 0.18% respectively of the corresponding total amounts for Spirit Super.

As at 30 June 2021 the Fund had 87 members and the total employer contributions and member contributions for the year ending 30 June 2021 were \$879,254 and \$229,820 respectively.

	2022 \$'000	2021 \$'000
34 Superannuation (continued)		
Employer contributions to: Accumulation Schemes	1,374	1,234
	<u>1,374</u>	<u>1,234</u>

35 Commitments

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

Purchase commitments for material supplies & equipment	<u>4,177</u>	<u>9,291</u>
Commitments are payable as follows :		
Not later than 1 year	4,177	9,291
Later than 1 year but not later than 2 years	<u>0</u>	<u>0</u>
Total commitments	<u>4,177</u>	<u>9,291</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.

36 Contingent liabilities

There are no known claims pending against Council which would exceed current insurance arrangements held at 30 June 2022.

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>234</u>	<u>178</u>
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Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements as income. Trust monies are invested with a financial institution in an appropriate interest-earning account. The deposits are bearing floating interest rates of 0.75% as at June 30 2022 (2021: 0.00%).

Accounting Policy

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

	2022 \$'000	2021 \$'000
38 Reconciliation of cash flows from operating activities to surplus / (deficit)		
Surplus / (deficit)	10,532	15,168
Depreciation and amortisation	9,940	10,228
Depreciation of right-of-use assets	29	56
Non-cash donations subsidies and contributions	(3,116)	(5,352)
Share of profit in associate	(947)	(942)
Net (gain) / loss on disposal of assets	1,593	458
Derecognition of assets	424	942
Market value movement in fair value swaps	0	(707)
Investing activity		
Capital grants and contributions	(5,760)	(9,277)
Investment revenue from Taswater	(1,310)	(546)
Distribution from Associate	(287)	(287)
Other investments	(524)	(424)
	<u>42</u>	<u>(5,851)</u>
Changes in operating assets and liabilities :		
(Increase) / decrease in receivables	81	(2,322)
(Increase) / decrease in other assets	(197)	(19)
Increase / (decrease) in payables	(89)	(549)
Increase / (decrease) in employee provisions	219	185
	<u>14</u>	<u>(2,705)</u>
Net cash inflow from operating activities	<u>10,588</u>	<u>6,612</u>

38.1 Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

Interest-bearing loans and borrowings

Opening Balance	47,936	50,017
Changes from financing cash flows:		
Cash Received	0	48,200
Cash Repayments	(1,073)	(50,281)
Closing Balance	<u>46,863</u>	<u>47,936</u>

Lease liabilities

Opening Balance	762	813
Changes from financing cash flows:		
Cash Received	0	0
Cash Repayments	0	(51)
Other movements*	(26)	0
Closing Balance	<u>736</u>	<u>762</u>

*Includes lease repayments accrued as invoices were not received for the relevant crown land leases during the period.

2022
\$'000

2021
\$'000

39 Joint Authorities

(i) Dulverton Regional Waste Management Authority

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

Other members 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 2022 the ownership share for Devonport was 43.45%.

Value of ownership share 11,235 9,172

(ii) Cradle Coast Authority

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

40 Controlling Authority transactions

	2022		2021	
	Income \$'000	Expenditure \$'000	Income \$'000	Expenditure \$'000
Maidstone Park Management Controlling Authority	14	10	8	7
Total	14	10	8	7

v

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

41 Related party transactions

(i) Responsible Persons

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

Councillors

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

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

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

(ii) Councillor Remuneration

2022			Short term employee benefits				
Name	Position	Period	Allowances	Vehicles ¹	Total Compensation AASB 124	Expenses ²	Total allowances and expenses section 72
			\$	\$			
A. Rockliff	Mayor	Full Year	82,844	6,339	89,183	4,220	93,403
A. Jarman	Deputy Mayor	Full Year	42,169		42,169	3,566	45,735
L. Laycock	Councillor	Full Year	23,669		23,669	3,566	27,235
L. Perry	Councillor	Full Year	23,669		23,669	3,566	27,235
G. Ennis	Councillor	Full Year	23,669		23,669	3,566	27,235
L. Murphy	Councillor	Full Year	23,669		23,669	3,566	27,235
S. Milbourne	Councillor	Full Year	23,669		23,669	3,566	27,235
P. Hollister	Councillor	Full Year	23,669		23,669	3,566	27,235
J. Alexiou	Councillor	Full Year	23,669		23,669	3,566	27,235
Total			290,696	6,339	297,035	32,748	329,783

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

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

2. Section 72(1)(c) of the Local Government Act 1993 requires the disclosure of expenses paid to Councillors. The expenses include a notional parking benefit of \$3,075 (2020/21: \$3,075) per annum.

(iii) Key Management Personnel Remuneration

2022	Short term employee benefits			Post employment benefits			Non - monetary benefits ⁷	Total
	Salary ¹	Vehicles ²	Other Allowances and Benefits ³	Super-annuation ⁴	Other long term benefits ⁵	Termination benefits ⁶		
Employee	\$	\$	\$	\$	\$	\$	\$	\$
K.Peebles	106,777	1,200		25,047			978	134,002
M.Skirving	144,231	20,268		18,029			7,572	190,100
J.Griffith	189,231	23,160	1,608	23,654			10,061	247,714
M.Atkins	239,509	27,221	912	23,951			1,954	293,547
Total	679,748	71,849	2,520	90,681	-	-	20,565	865,363

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

1. Gross Salary includes all forms of consideration paid and payable for services rendered and compensated absences during the period.
2. The amount relates to the taxable value of the vehicle for the FBT year.
3. Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.
4. Superannuation means the contribution to the superannuation fund of the individual and salary sacrificed amounts.
5. Other long term benefits equals the long service leave paid in the period.
6. Termination benefits include all forms of benefit paid or accrued as a consequence of termination.
7. Other non-monetary benefits include annual and long service leave movements.

41 Related party transactions (continued)

(iv) Remuneration Principles

Councillors

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

Executives

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

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

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

(v) Transactions with related parties

A party is related to an entity if directly or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity

The Council is a member of the Dulverton Regional Waste Management Joint Authority (DRWMA) established under the Local Government Act 1993 (as amended). Other members of the Dulverton Regional Waste Management Joint Authority are the Central Coast, Latrobe, and Kentfish Councils. The primary activity of the Authority is to operate a regional landfill site at Dulverton.

Council engaged Synectic Pty Ltd to provide internal audit services during the year. A director of Synectic Pty Ltd is a close family member of a KMP. The close family member did not have any direct involvement with the work undertaken.

The following transactions occurred with related parties. All transactions were subject to normal terms and conditions:

		2022	2021
Receipts from related parties			
DRWMA	Commercial office space supplied by Council (subject to lease)	\$ 17,442	\$ 15,860
	Utilities and other sundry reimbursements	\$ 730	\$ 2,315
	Parking	\$ 3,240	\$ 3,240
	paranaple Convention Centre - hire and catering	\$ 530	\$ 931
	Distribution received	\$ 286,770	\$ 286,770
	Tax equivalents received	\$ 464,099	\$ 455,399
Payments to related parties			
DRWMA	Cost of transfer of waste to the regional facility maintained by DRWMA	\$ 2,394,424	\$ 2,562,121
Synectic Pty Ltd	Payment for Internal Audit services	\$ 10,720	0

Receivable from and payable to related parties

The following balances are outstanding as at 30 June 2022 in relation to transactions with related parties:

Receivable from:	DRWMA	\$ 82,810	0
Payable to:	DRWMA	\$ 161,086	0
	Synectic Pty Ltd	0	0

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

- 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.

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:

2022	Floating interest rate \$'000	Fixed Interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000		
Financial assets						
Cash and cash equivalents	18,945	0	0	0	0	18,945
Receivables	0	28	118	192	4,006	4,344
Investment in Water Corporation	0	0	0	0	85,293	85,293
	18,945	28	118	192	89,299	108,582
Financial liabilities						
Payables	0	0	0	0	3,177	3,177
Interest bearing liabilities	11,600	1,089	19,710	14,464	0	46,863
	11,600	1,089	19,710	14,464	3,177	50,040
Net financial assets / (liabilities)	7,345	(1,061)	(19,592)	(14,272)	86,122	58,542

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

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial assets				
Cash and cash equivalents	18,945	13,720	18,945	13,720
Receivables	4,314	4,418	4,314	4,418
Investment in Water Corporation	85,293	82,968	85,293	82,968
Total financial assets	108,552	101,106	108,552	101,106
Financial liabilities				
Payables	3,177	3,196	3,177	3,196
Interest-bearing loans and borrowings	46,863	47,936	46,863	47,936
Total financial liabilities	50,040	51,132	50,040	51,132

(d) Credit Risk

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

(e) Risks and mitigation

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

Market risk

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

Interest rate risk

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

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

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

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

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

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

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:

	2022 \$'000	2021 \$'000
Current (less than 1 year)	4,163	4,263
Past due by over 1 year	87	76
Past due by over 2 years	11	21
Past due by over 3 years	6	10
Past due by over 4 years	47	48
	<u>4,314</u>	<u>4,418</u>
Total Trade & Other Receivables	<u>4,314</u>	<u>4,418</u>

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$4,343,632 (2020-21: \$4,448,720) were impaired. The amount of the provision raised against these debtors was \$30,380 (2020-21: \$30,380). The individually impaired debtors relate to general and sundry debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of Trade and Other Receivables that have been individually determined as impaired at reporting date was:

Current (not yet due)	0	0
Past due by up to 30 days	0	0
Past due between 31 and 180 days	0	0
Past due between 181 and 365 days	0	0
Past due by more than 1 year	30	30
	<u>30</u>	<u>30</u>
Total impaired Trade & Other Receivables	<u>30</u>	<u>30</u>

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

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.

2022	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	3,177	0	0	0	0	3,177	3,177
Interest bearing liabilities	1,056	1,112	2,234	32,857	19,582	56,841	46,863
Total financial liabilities	4,233	1,112	2,234	32,857	19,582	60,018	50,040

2021	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Payables	3,196	0	0	0	0	3,196	3,196
Interest bearing liabilities	993	987	1,979	33,387	14,254	51,600	47,936
Total financial liabilities	4,189	987	1,979	33,387	14,254	54,796	51,132

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 + 2% and -1% in market interest rates (AUD)

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

2022		Interest Rate Risk				
		-1%		+2%		
		-100 basis points		200 basis points		
		Profit	Equity	Profit	Equity	
2022		\$'000	\$'000	\$'000	\$'000	
Financial assets:						
Cash and cash equivalents	18,945	(189)	(189)	379	379	
Receivables	338	(3)	(3)	7	7	
Financial liabilities:						
Interest bearing liabilities	11,600	116	116	(232)	(232)	

2021		Interest Rate Risk				
		-1%		+1%		
		-100 basis points		100 basis points		
		Profit	Equity	Profit	Equity	
2021		\$'000	\$'000	\$'000	\$'000	
Financial assets:						
Cash and cash equivalents	13,720	(137)	(137)	137	137	
Receivables	364	(4)	(4)	4	4	
Financial liabilities:						
Other financial liabilities	0	0	0	0	0	
Interest bearing liabilities	47,936	479	479	(479)	(479)	

42 Financial instruments (continued)

(g) Fair Value Hierarchy

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

The different levels have been defined as follows:

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

30-Jun-22
Investment equity asset

Level 1	Level 3	Total
0	85,293	85,293

30-Jun-21
Investment equity asset

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

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

Reconciliation of Level 3 fair value movements:	2022 \$'000	2021 \$'000
Opening Balance	82,968	76,789
Fair value adjustments on equity investment assets	<u>2,325</u>	<u>6,179</u>
Closing Balance	<u>85,293</u>	<u>82,968</u>

43 Management indicators	Benchmark	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
(a) Underlying surplus or deficit					
Recurrent income* less		44,489	40,741	40,584	41,004
Recurrent expenditure**		42,937	39,496	42,381	42,565
Underlying surplus/(deficit)	0	1,552	1,245	(1,797)	(1,561)

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

Council has reported an underlying surplus for the 2022 year, which is above the benchmark of a breakeven result. The result was better than the estimated underlying surplus of \$110K mostly due to additional revenue from fees and charges and strong returns from Council's investment in the Dulverton Regional Waste Management Authority.

* 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 2022/23 Financial Assistance Grant of \$1,964,000 received in June 2022 and includes the prepaid 2021/22 Financial Assistance Grant of \$1,386,000 received in June 2021.

** Recurrent expenditure includes loss on disposal of property, plant & equipment of \$1,593,000 and additional depreciation on a number of buildings constructed as part of LIVING CITY Stage 1.

(b) Underlying surplus ratio					
Underlying surplus or deficit		1,552	1,245	(1,797)	(1,561)
Recurrent income		44,489	40,741	40,584	41,004
Underlying surplus ratio	0%	3.49%	3.06%	-4.43%	-3.81%

This ratio serves as an overall measure of financial operating effectiveness

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

(c) Net financial liabilities					
Liquid assets less		23,271	18,127	16,088	23,544
total liabilities*		56,207	56,741	61,586	59,358
Net financial liabilities	0	(32,936)	(38,614)	(45,498)	(35,814)

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall.

43 Management indicators (continued)	Benchmark	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
(d) Net financial liabilities ratio					
<u>Net financial liabilities</u>		(32,936)	(38,614)	(45,498)	(35,814)
Recurrent income*	0% - (50%)	44,489	40,741	40,584	41,004
Net financial liabilities ratio %		(74.03%)	(94.78%)	(112.11%)	(87.34%)

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

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

(e) Asset consumption ratio

An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

<i>Parks and open space</i>					
<u>Fair value (Carrying amount)</u>		25,740	25,740	15,954	13,671
Current replacement cost (Gross)		44,456	43,571	27,549	23,301
Asset consumption ratio %	40-60%	58%	59%	58%	59%
<i>Buildings</i>					
<u>Fair value (Carrying amount)</u>		90,857	92,939	98,817	61,989
Current replacement cost (Gross)		135,561	143,805	147,561	106,218
Asset consumption ratio %	40-60%	67%	65%	67%	58%
<i>Roads</i>					
<u>Fair value (Carrying amount)</u>		141,632	139,069	135,405	133,816
Current replacement cost (Gross)		324,217	317,621	308,980	296,226
Asset consumption ratio %	40-60%	44%	44%	44%	45%
<i>Stormwater</i>					
<u>Fair value (Carrying amount)</u>		92,093	87,892	85,137	74,346
Current replacement cost (Gross)		168,498	158,334	153,109	131,116
Asset consumption ratio %	40-60%	55%	56%	56%	57%

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

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

43 Management indicators (continued)	Benchmark	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
(f) Asset renewal funding ratio					
An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.					
<i>Parks and open space</i>					
<u>Projected capital funding outlays**</u>		11,132	6,335	2,361	2,361
Projected capital expenditure funding***		11,132	5,279	9,871	9,871
Asset renewal funding ratio %	90-100%	100%	120%	24%	24%
<i>Buildings</i>					
<u>Projected capital funding outlays**</u>		10,159	12,434	9,218	9,218
Projected capital expenditure funding***		10,159	4,700	4,700	4,700
Asset renewal funding ratio %	90-100%	100%	265%	196%	196%
<i>Roads</i>					
<u>Projected capital funding outlays**</u>		42,410	39,031	35,225	35,225
Projected capital expenditure funding***		42,410	42,208	36,916	36,916
Asset renewal funding ratio %	90-100%	100%	92%	95%	95%
<i>Stormwater</i>					
<u>Projected capital funding outlays**</u>		6,395	4,378	7,778	7,778
Projected capital expenditure funding***		6,395	313	313	313
Asset renewal funding ratio %	90-100%	100%	1399%	2485%	2485%

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

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

This ratio measures Council's capacity to fund future asset replacement requirements, by comparing the budgeted renewal expenditure to the projected capital expenditure requirements in the Asset Management Plans. This ratio should be considered over a longer period of time, at least 10 years to assess if Council is adequately funding the renewal of its assets. Council adopted a Financial Management Strategy in June 2022 which included a Long Term Financial Plan to 30 June 2032. 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 Strategic Asset Management Plan.

As well as adopting a Strategic Asset management Plan in 2022, Council prepared a 10 year Forward Works Program which was adopted as part of the 2022/23 budget process. All renewal expenditure identified in the 10 year Forward Works Program is funded in the Financial Management Strategy. A progressive condition assessment for all asset classes is currently underway and this information will be reflected in future Asset Management Plans.

This ratio is not subject to audit.

43 Management indicators (continued)	Benchmark	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
(g) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		6,700	8,119	7,135	4,014
Annual depreciation expense		9,969	10,284	10,624	9,574
Asset sustainability ratio %	60-100%	67%	79%	67%	42%

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:			
Parks and Open Space*	2,088	3,485	5,573
Buildings	790	589	1,379
Plant	66	260	326
Furniture and Fittings	271	200	471
Roads	2,980	1,159	4,139
Stormwater	505	254	759
Total	6,700	5,947	12,647

* The categories above include \$4,443,090.97 in relation to LIVING CITY.

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
 - Land under roads
 - Buildings
 - Roads, including footpaths and cycleways
 - Stormwater
 - Parks & open space
 - Cultural & heritage

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

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

(a) Fair Value Hierarchy

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

Level 1	Unadjusted quoted prices in active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets measured and recognised at fair value at 30 June 2022.

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 2022

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	22	0	0	85,293	85,293
Land	24	0	68,572	0	68,572
Land under roads	24	0	103,157	0	103,157
Buildings	24	0	65,468	25,389	90,857
Roads, including footpaths and cycleways	24	0	0	141,632	141,632
Stormwater	24	0	0	92,093	92,093
Parks & open space	24	0	0	25,740	25,740
Cultural and heritage	24	0	4,616	0	4,616
		0	241,813	370,147	611,960
Non - recurring fair value measurements					
Assets held for sale	24.1	0	800	95	895
		0	800	95	895
Total fair value measurements		0	242,613	370,242	612,855

44 Fair Value Measurements (cont.)

As at 30 June 2021

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	22	0	0	82,968	82,968
Land	24	0	76,389	0	76,389
Land under roads	24	0	102,947	0	102,947
Buildings	24	0	70,528	22,411	92,939
Roads, including footpaths and cycleways	24	0	0	139,069	139,069
Stormwater	24	0	0	87,892	87,892
Parks & open space	24	0	0	25,740	25,740
Cultural and heritage	24	0	3,316	0	3,316
		0	253,180	358,080	611,260
Non - recurring fair value measurements					
Assets held for sale	24.1	0	800	95	895
		0	800	95	895
Total fair value measurements		0	253,980	358,175	612,155
Transfers between levels of the hierarchy					

Council's policy is to recognise transfers in and out of the fair value hierarchy levels at the end of the reporting period. During the 12 months to 30 June 2022, Council changed the valuation methodology in relation to one building. This change resulted in the adoption of the valuation data provided by the Valuer-General to determine Fair Value. The change did not result in a transfer between valuation hierarchies. Details of the change in accounting policy can be found in Note 1.

(b) Highest and best use

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

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

Investment in water corporation

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

Land

Land fair values were determined by the office of the Valuer General during the year ended 30 June 2022 and were revalued at 1 July 2021 using the fresh valuation provided by the Office of the Valuer-General. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current planning provisions.

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

Land under roads

Land under roads is based on valuations determined by the Valuer-General effective 1 July 2019, using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights, private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. 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.

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 2022. Fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre. These buildings have been classified as level 2 in the Table above.

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

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

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

Buildings subject to indexation, were indexed at 30 June 2022 by 3%. This rate represents a 5 year average of a number of construction indexes for both Tasmania and Australia and with reference to the Council Cost index as determined by LGAT each year.

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Depreciation is applied on a straight line basis. Estimated useful lives are disclosed in Note 13.

The calculation of CRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation.

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

Roads, including footpaths & cycleways

A full valuation of road infrastructure was undertaken by Council staff effective 30 June 2022. Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban and rural roads are generally managed in segments from intersection to intersection. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Pavements constructed post 1993 have longer asset lives as they require more stringent quality assurance on material selection and pavement design.

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

44 Fair Value Measurements (continued)

Stormwater

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

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

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

A full valuation of stormwater was undertaken by Council staff effective 30 June 2020 and the next full revaluation is scheduled in 2023. Stormwater assets were indexed by 2.7% at 30 June 2022 which is an average of the Road & Bridge Construction Index - Australia of 2.8% and the Heavy & Civil Engineering Construction Index - Australia of 2.6%.

Parks & Open Space

A full valuation of parks & open space was undertaken by Council staff effective 30 June 2021 and the next full revaluation is scheduled for 2024. Parks and Open Space assets were indexed by 3% at 30 June 2022. The indexation rate was determined internally by Council staff based on a number of relevant indexes.

Cultural & Heritage

A significant portion of the value in this asset class relates to the Devonport Regional Gallery art collection. The Devonport Regional Gallery art collection and public art assets were independently valued last year as at 30 June 2021. Assets subject to full revaluation last financial year were indexed by 3% at 30 June 2022.

This year some sections of this asset class were subject to full revaluation namely the Bass Strait Maritime Centre Collection and the Sister Cities Collection.

The Bass Strait Maritime Centre Collection has been independently assessed by Gavin Fry and Roland-Michel Laroche. Gavin Fry is an approved Valuer under the Commonwealth's Cultural Gifts Program, specialising in Australian art, maritime art and artefacts, naval material, and war related art. 1995-present. He is also an Expert Examiner under the Movable Cultural Heritage Act, Department of Communications & The Arts – 2010 – present. Roland-Michel Laroche is an Official Valuer as listed by the Australian Government Attorney-General's Ministry for the Arts Cultural Gifts Program Section 30-200 of the Income Tax Assessment Act 1997.

The Sister Cities Collection has been independently assessed by Ross Searle, Heritage, Museums and Galleries Consultant with assistance from recognised expert Rohan Sulich. Ross Searle is an approved valuer under the Commonwealths Cultural Gifts Program and has extensive experience in valuing cultural assets in the local government and university sectors. Rohan Sulich until 2019 was the head of Christies Australia and is a recognised expert in the decorative arts field.

44 Fair Value Measurements (continued)

Assets held for sale

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

(e) Changes in fair value measurements

The changes in assets and liabilities with recurring fair value measurements are detailed in Note 24 and 42.

(f) Valuation processes

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

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

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

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

Certification of the Financial Report

The financial report presents fairly the financial position of the Devonport City Council as at 30 June 2022, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Matthew Atkins
GENERAL MANAGER

Dated: 22 September 2022.