

FINANCIALS





Financials

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Certification of the 2017 Financial Report

Glenorchy City Council Certification of the Financial Report

This financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2017, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



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Tony McMullen
Acting General Manager

Date: 19th October 2017

Statement of Comprehensive Income for the Year Ended 30 June 2017

	Note	2017 Budget \$'000	2017 Actual \$'000	2016 Actual \$'000
Income				
Recurrent income				
Rates	4	34,412	34,582	32,727
User charges and licences	5	12,153	11,402	11,114
Interest		348	412	604
Grants	7	3,027	4,322	1,988
Contributions – cash	8 (a)	279	382	345
Investment income from TasWater	9	3,258	3,339	3,295
Other income	10	472	644	595
		53,948	55,083	50,668
Capital income				
Contributions – non-monetary assets	8 (b)	-	1,184	17,255
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	6	83	91	(83)
Capital grants received specifically for new or upgraded assets	7	999	2,022	1,759
Fair value recognition of land under roads	27 (q)	-	-	134,892
		1,082	3,297	153,823
Total income		55,030	58,380	204,491
Expenses				
Employee benefits	11	19,708	20,561	19,728
Materials and services	12	13,762	15,780	14,190
Depreciation and amortisation	13 (a)	14,441	12,494	12,882
State Fire Commission contribution	4	5,056	5,056	4,719
Finance costs	16	170	451	484
Assets written off	13 (b)	958	4,005	6,252
Bad and doubtful debts	14	2	17	43
Other expenses	15	631	691	702
Total expenses		54,728	59,055	59,000
Surplus/(deficit)		302	(675)	145,491
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net gain/(loss) on revaluation of property, plant and equipment	40	-	(25,117)	45,914
		-	(25,117)	45,914
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
- Fair value adjustment on available for sale assets	40	-	1,075	2,744
		-	1,075	2,744
Total other comprehensive income		-	(24,042)	48,658
Total comprehensive result		302	(24,717)	194,149

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

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	17	11,591	14,374
Trade and other receivables	18	1,543	1,529
Inventories	19	111	142
Non-current assets classified as held for sale	20	-	1,157
Other current assets	21	584	446
Total current assets		13,829	17,648
Non-current assets			
Investment in TasWater	26	165,003	163,928
Property, infrastructure, plant and equipment	27	669,662	683,624
Investment properties	36	-	9,325
Other non-current assets	35	20,633	21,184
Total non-current assets		855,298	878,061
Total assets		869,127	895,709
Liabilities			
Current liabilities			
Trade and other payables	22	2,439	4,115
Provisions	23 (c)	3,802	3,623
Borrowings	24	852	852
Other current liabilities	25	2,543	2,285
Total current liabilities		9,636	10,875
Non-current liabilities			
Provisions	23 (c)	5,756	5,533
Borrowings	24	4,317	5,168
Total non-current liabilities		10,073	10,701
Total liabilities		19,709	21,576
Net assets		849,418	874,133
Equity			
Accumulated surpluses		532,879	531,471
Reserves	40	316,539	342,662
Total equity		849,418	874,133

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

Statement of Changes in Equity for the Year Ended 30 June 2017

2017	Note	Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
Balance at the beginning of the financial year		874,133	531,471	361,293	(32,976)	14,345
Comprehensive result		(24,717)	(675)	(25,117)	1,075	-
Transfers to reserves	40	-	(1,180)	-	-	1,180
Transfers from reserves	40	-	3,262	-	-	(3,262)
Balance at the end of the financial year		849,417	532,879	336,176	(31,901)	12,264

2016	Note	Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
Balance at the beginning of the financial year		679,984	378,479	315,379	(35,720)	21,846
Comprehensive result		194,149	145,491	45,914	2,744	-
Transfers to reserves	40	-	(1,178)	-	-	1,178
Transfers from reserves	40	-	8,679	-	-	(8,679)
Balance at the end of the financial year		874,133	531,471	361,293	(32,976)	14,345

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

Statement of Cash Flows

for the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Rates		34,602	32,686
Operational government grants (inclusive of GST)		4,335	1,995
Contributions – cash		382	345
Interest		412	604
User charges and licences (inclusive of GST)		11,777	13,752
Other income (inclusive of GST)		1,374	1,756
Investment income from TasWater		3,339	3,295
Employee benefits		(20,255)	(20,212)
Materials and services (inclusive of GST)		(18,447)	(16,295)
Finance costs		(301)	(340)
Levies paid to State Government		(5,056)	(4,719)
Other payments (inclusive of GST)		(700)	(717)
Net cash provided by/(used in) operating activities	38	11,462	12,150
Cash flows from investing activities			
Capital government grants		2,022	1,759
Payments for property, plant and equipment		(15,629)	(21,987)
Proceeds from sale of non-current assets		214	555
Net cash flows provided by/(used in) investing activities		(13,393)	(19,673)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		(852)	(795)
Net cash flows provided by/(used in) financing activities		(852)	(795)
Net increase/(decrease) in cash and cash equivalents		(2,783)	(8,318)
Cash and cash equivalents at the beginning of the financial year		14,374	22,692
Cash and cash equivalents at the end of the financial year	17	11,591	14,374
Financing arrangements	41		
Restrictions on cash assets	17		

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

Notes to and forming part of the financial statements for the Year Ended 30 June 2017

1. Reporting Entity

Glenorchy City Council ("Council") was established on 24 October 1964 and is a body corporate with perpetual succession and a common seal.

Council's main office is located at 374 Main Road, Glenorchy.

2. Basis of accounting

This financial report is a general purpose financial report that consists of a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Local Government Act 1993 (LGA1993) (as amended).

This financial report is prepared on the accrual and going concern basis.

Dollar amounts shown in the general purpose financial report are rounded to the nearest thousand.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 20, 23, 24, 26, 27 and 36.

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 have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 45.

3. Uses of judgements and estimates

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. If the revisions affect both current and future periods, then the estimates apply to both 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 23.

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 46.

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 27.

Investment in TasWater

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 26.

Landfill Rehabilitation

Assumptions and judgements are utilised in determining Council's landfill close-down and restoration costs. These are discussed in note 23.

4. Rates

Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipality. AAV is defined by the Valuer General as the gross annual rental value of a property excluding GST, municipal rates and land tax. The AAV is multiplied against the rate in the dollar to give the annual rates amount.

The valuation base used to calculate general rates for 2017 was \$355,387,322 (2016: \$355,463,980). The 2017 rate in the dollar was \$0.080600 (2016: \$0.077127).

	Note	2017 \$'000	2016 \$'000
Rates charge		30,886	29,439
Interest charge		51	50
Penalty charge		191	172
Recovery of legal expenses		125	63
State Government charges and levies			
State Fire Commission contribution		5,056	4,719
Less Government subsidies		(1,727)	(1,716)
		34,582	32,727

The date of the latest general revaluation of land for rating purposes within the municipality was 1 January 2011, and the valuation was first applied in the rating year commencing 1 July 2011.

Accounting policy

Rates income

Rates income is recognised as rate revenue when Council obtains control over the assets comprising the receipt.

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5. User charges and licences

	Note	2017 \$'000	2016 \$'000
Childcare		513	579
Registration and licences		498	492
Derwent Entertainment Centre		1,338	1,627
Derwent Park Reuse sales		230	240
Development and building		1,083	969
Garbage and recycling		6,419	6,066
General fines and infringements		451	371
Rental revenue		638	547
Other fees and charges		232	223
		11,402	11,114

Accounting policy

User charges and licences income

User fees and charges (including fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

Operating leases as lessor

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

5. User charges and licences (continued)

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

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

Where leases are commercial agreements, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as investment property in accordance with AASB 140. These properties are recognised at fair value. These leases may include incentives which have not been recognised in the Statement of Financial Position, on the basis the amounts are unlikely to be material and could be reliably measured at balance date.

6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Note	2017 \$'000	2016 \$'000
Proceeds from disposal of property, infrastructure, plant and equipment	213	555
Less carrying amount of property, infrastructure, plant and equipment	(122)	(638)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	91	(83)

Accounting policy

Sale of property, plant and equipment, infrastructure

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

7. Grants

Grants were received in respect of the following:

Note	2017 \$'000	2016 \$'000
Summary of grants		
Commonwealth funded grants	6,001	3,172
State funded grants	270	545
Others	73	30
	6,344	3,747
Grants – recurrent		
Commonwealth Government Financial Assistance Grants – General Purpose	1,378	660
Commonwealth Government Financial Assistance Grants – Roads	2,072	466
Childcare Services	689	761
Moonah Taste of the World	15	13
Youth and Safer Communities	105	40
Other	63	48
Total recurrent grants	4,322	1,988

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2016-17, the Commonwealth made early payment of the first two quarterly instalments for the following year. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2016-17 by \$1,124,313. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2016-17 by \$1,171,674.

7. Grants (continued)

	Note	2017 \$'000	2016 \$'000
Capital grants received specifically for new or upgraded assets			
Blackspot		843	-
Department of Transport		999	1,236
Central Business District Revitalisation		-	250
Eady Street Recreation Ground Improvements		-	80
Sports Ground Improvements (Lighting)		160	-
King George V Community Park		20	-
Safer Roads		-	166
Stronger Communities – Goodwood Community Centre Kitchen		-	17
Other		-	10
Total capital grants		2,022	1,759
Total grants		6,344	3,747

Conditions on grants

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

	Note	2017 \$'000	2016 \$'000
Unexpended at the close of the previous reporting period		648	669
Less: expended during the current period from revenues recognised in previous reporting periods			
Collinsvale Oval Redevelopment		-	(69)
Community & Multicultural Centre Master Plan		(37)	(55)
Glenorchy Skate Park		-	(3)
Eady Street Recreation Grounds Improvements		(73)	-
Safer Roads		(9)	-
		(119)	(127)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
Sports Ground Improvements (Lighting)		160	-
King George V Community Park		20	-
Eady Street Recreation Grounds Improvements		-	80
Safer Roads		-	9
Stronger Communities – Goodwood Community Centre Kitchen		-	17
		180	106
Unexpended at the close of this reporting period		709	648
Net increase (decrease) in non-reciprocal grant revenues for the year:		61	(21)

Accounting policy

Grant income – operating and capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

7. Grants (continued)

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

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

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

8. Contributions

	Note	2017 \$'000	2016 \$'000
(a) Cash			
Recreational, leisure and community facilities		64	104
Parks, open space and streetscapes		187	206
Recharge work contributions		27	33
Other		104	2
		382	345
(b) Non-monetary assets			
Buildings		176	659
Land		116	218
Stormwater		444	996
Transport		448	15,382
		1,184	17,255
		1,566	17,600
Total contributions			

There was a significant increase in non-monetary contributions for Transport assets in 2015-16. The majority of the increase was due to Council recognising the formation component of car parks which includes the cost of excavation and preparation of land. Previously only the pavement and seal components were recorded for car parks.

Accounting policy

Contribution income

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

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

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

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

9. Investment income from TasWater

	Note	2017 \$'000	2016 \$'000
Dividend income		2,113	2,208
Guarantee fee		280	265
Tax equivalent		946	822
		3,339	3,295

9. Investment income from TasWater (continued)

Accounting policy

Investment income

Investment revenue from TasWater is recognised when Council's right to receive payment is established. Investment revenue from TasWater is received in the form of dividends, tax equivalent payments and guarantee fees.

10. Other income

	Note	2017 \$'000	2016 \$'000
Fuel Tax Credits		98	100
Southern Waste Strategy Authority – Administration and Education program		72	53
State Fire Commission contribution		202	189
Refund		12	23
Other		260	230
		644	595

Accounting policy

Other income

Other income is recognised when the service has been provided or the payment is received.

11. Employee benefits

	Note	2017 \$'000	2016 \$'000
Wages and salaries		22,334	21,283
Redundancies		-	469
Relief/casual staff		878	648
Fringe Benefits Tax		4	32
Other		84	33
		23,300	22,465
Less amounts capitalised		(2,739)	(2,737)
		20,561	19,728

Accounting policy

Employee benefits

Employee benefit 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

	Note	2017 \$'000	2016 \$'000
Materials and services		4,885	4,303
Board of Inquiry		791	-
Contract payments		7,469	7,278
Plant and equipment maintenance		240	277
Utilities		1,304	1,244
Consultants		1,091	1,088
		15,780	14,190

Accounting policy

Materials and services expense

Materials and services 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.

12. Materials and services (continued)

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.

	Note	2017 \$'000	2016 \$'000
13(a). Depreciation and amortisation			
Buildings and other land improvements		1,959	1,806
Plant and vehicles		307	373
Equipment and furniture		198	174
Transport		7,498	7,284
Stormwater and drainage		2,211	2,928
Valuation roll		62	57
Restoration costs		260	260
	27	12,494	12,882
13(b). Assets written off			
Transport		2,767	4,990
Buildings and other land improvements		163	429
Other infrastructure		25	833
Stormwater and drainage		1,049	-
		4,004	6,252

Transport assets written off in 2015-16 included a number of roundabout assets totalling \$2,153,094. Through detailed condition assessments and road measurements it was discovered that road segments leading to and through each roundabout had already been valued within road pavement assets.

Accounting policy

Depreciation and amortisation expense

Depreciation and amortisation 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 to Council in a manner which reflects consumption of the service potential embodied in those assets.

All non-current assets excluding land are depreciated over their useful lives (as determined by Council's officers) on a straight line basis. Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	Useful life (years)
Buildings and other land improvements	
Freehold buildings	20 to 100
Building fixed equipment and furniture	5 to 100
Equipment and furniture	
Furniture, fittings and office equipment	3 to 20
Computer systems and technical equipment	3 to 10
Other infrastructure	
Artwork (depreciating)	25
Electrical	20 to 30
Outdoor equipment and furniture	5 to 80
Instrumentation	20 to 30
Lighting	50
Play and sports equipment	20 to 75
Signs	15

13(a). Depreciation and amortisation (continued)

	Useful life (years)
Plant and vehicles	
Infrastructure plant	5 to 75
Fleet	3 to 5
Mobile plant	5 to 20
Minor plant	3 to 5
Transport	
Bridge	20 to 80
Car park surface	22 to 40
Car park base	80
Car park formation	Unlimited
Kerb	75
Pathway	10 to 75
Road pavement surface	22 to 40
Road pavement base	70 to 80
Road formation	Unlimited
Traffic management device	15 to 75
Stormwater and drainage	
Bore & Well	80
Irrigation	10 to 20
Lagoon	120
Storage structure	50 to 80
Stormwater drain	40 to 135
Stormwater pit	40 to 120
Water main	100 to 120
Water node	80
Water plant and equipment	10 to 135
Water pump	20
Valuation rolls	
Valuation roll of the municipality	5 to 6

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14. Bad and doubtful debts

	Note	2017 \$'000	2016 \$'000
Other		17	43

Accounting policy***Bad and doubtful debts***

Bad and doubtful debts are recognised in the Statement of Profit or Loss and 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.

15. Other expenses

	Note	2017 \$'000	2016 \$'000
Land tax		462	441
External auditor's remuneration (Tasmanian Audit Office)		54	51
Grants and specific purpose benefits	47	117	125
Other		58	85
		691	702

Accounting policy*Other expenses*

Other 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.

16. Finance costs

	Note	2017 \$'000	2016 \$'000
Interest		294	334
Unwinding of discounts applied to provisions		157	150
		451	484

Accounting policy*Finance costs*

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

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period (2016: nil).

Finance costs include interest on bank overdrafts, interest on borrowings, and unwinding of discounts.

17. Cash and cash equivalents

	Note	2017 \$'000	2016 \$'000
Current investment funds		8,545	11,442
Operating account		2,952	2,795
Glenorchy City Concert Brass account		9	24
Petty cash floats		6	6
Derwent Entertainment Centre operating cash floats		28	49
Derwent Entertainment Centre Automatic Teller Machine		51	58
		11,591	14,374

The decrease in current investment funds held is due to the expenditure of significant capital grant funds received by Council in prior years.

17. Cash and cash equivalents (continued)

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:

Internal restrictions	Note	2017 \$'000	2016 \$'000
Statutory reserves	40	4,448	6,426
Derwent Entertainment Centre Automatic Teller Machine		51	58
		4,499	6,484
External restrictions			
Conditions on grants	7	709	648
Glenorchy City Concert Brass account		9	24
		718	672
Restricted funds		5,217	7,156
Total unrestricted cash and cash equivalents		6,373	7,218

Accounting policy*Cash and cash equivalents*

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

18. Trade and other receivables

	Note	2017 \$'000	2016 \$'000
Employees advanced salaries		7	34
Rates and charges		545	525
Debtors		2,210	2,092
Provision for impairment – liquidated damages claim		(1,597)	(1,597)
Provision for impairment – other debtors		(52)	(36)
		1,113	1,018
Goods and Services Tax on purchases		463	532
Goods and Services Tax on sales		(33)	(21)
Goods & Services Tax receivable		430	511
Total trade and other receivables		1,543	1,529

All debtors are due and payable after thirty days from the date of invoice. Council does not charge interest on debtors. Outstanding rate revenue attracts a penalty of 10% (2016: 10%) fourteen days after instalments are due. Interest of 8.40% (2016: 8.46%) is charged after the instalments are due and is calculated fortnightly (2016: weekly) on the outstanding balance.

All outstanding trade receivables have been assessed as past due but not impaired. Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property. A provision for impairment on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

An allowance has been made for those debts considered doubtful. Council evaluates unsecured debts through its debt collection process and where applicable these debts are transferred into the allowance.

Credit checks are completed for larger customers and all waste management customers.

18. Trade and other receivables (continued)

	Note	2017 \$'000	2016 \$'000
<u>Ageing of past due – rates and charges</u>			
30 - 60 days		-	-
60 - 90 days		-	-
Over 90 days		545	525
		545	525
<u>Ageing of past due – debtors</u>			
30 - 60 days		43	15
60 - 90 days		85	8
Over 90 days		74	102
		202	125
Movement in the provision for impairment – other debtors			
Balance at the beginning of the year		1,633	1,638
Amounts transferred to the provision during the year		-	-
Amounts recovered during the year		-	(2)
Amounts written off as uncollectable		16	(3)
Balance at the end of the year		1,649	1,633

Accounting policy**Trade and other receivables**

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.

Other receivables are payable within 30 days of issue of the account. No interest is charged to overdue sundry receivables.

19. Inventories

	Note	2017 \$'000	2016 \$'000
Stores and materials		111	142

Accounting policy**Inventories**

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

Other inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory.

20. Non-current assets classified as held for sale

	Note	2017 \$'000	2016 \$'000
Property held for sale		-	1,157
Less impairment expense		-	-
		-	1,157

A review of properties held for sale during the year established that none of the properties were being actively marketed. As a consequence of this finding and in accordance with AASB 105 Non-current Assets Held for Sale and Discontinued Operations, properties held for sale have been re-classified back to land and buildings as at 30 June 2017. The re-classification has been made as it was concluded that the properties did not meet the definition of a "property held for resale" and that they should therefore be accounted for under AASB 116 *Property, Plant and Equipment*.

20. Non-current assets classified as held for sale (continued)**Accounting policy***Non-current assets classified as held for sale*

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 are not subject to depreciation. Non-current assets, disposal groups and related liabilities assets 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.

21. Other current assets

	Note	2017 \$'000	2016 \$'000
Prepayments		332	252
Accrued revenue		252	194
		584	446

22. Trade and other payables

	Note	2017 \$'000	2016 \$'000
Trade payables		-	2,338
Accrued expenses		2,431	1,771
Fringe Benefits Tax payable		8	6
		2,439	4,115

Accounting policy*Trade and other payables*

All of Council's expenditure, both operating and capital, is brought to account at the time the invoice is processed, after the receipt of the goods and services.

Payables are settled within specific trading terms or 30 days, whichever is earlier.

23. Provisions

2017	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Redundancy \$ '000	Landfill Restoration \$ '000	Total \$ '000
Balance at the beginning of the financial year	1,788	825	315	2,366	-	3,862	9,156
Additional provisions	1,970	749	190	381	-	-	3,290
Amounts used	(1,825)	(663)	(171)	(316)	-	-	(2,975)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	87	87
Balance at the end of the financial year	1,933	911	334	2,431	-	3,949	9,558
2016	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Redundancy \$ '000	Landfill Restoration \$ '000	Total \$ '000
Balance at the beginning of the financial year	1,814	886	320	2,372	372	3,712	9,476
Additional provisions	1,397	554	135	247	-	-	2,333
Amounts used	(1,423)	(615)	(140)	(253)	(372)	-	(2,803)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	150	150
Balance at the end of the financial year	1,788	825	315	2,366	-	3,862	9,156

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23. Provisions (continued)**(a) Employee entitlements provision**

	Note	2017 \$'000	2016 \$'000
(i) Current			
Annual leave		1,933	1,788
Sick leave		911	825
Long service leave		775	834
<i>Other provisions</i>			
Employment on-costs:			
Payroll tax		183	176
		3,802	3,623
(ii) Non-current			
Long service leave		1,656	1,532
<i>Other provisions</i>			
Employment on-costs:			
Payroll tax		151	139
		1,807	1,671
Aggregate carrying amount of employee entitlements:			
Current		3,802	3,623
Non-current		1,807	1,671
		5,609	5,294
The following assumptions were adopted in measuring the present value of employee entitlements:			
Weighted average increase in employee costs		2.00%	2.00%
Weighted average discount rates		2.18%	2.15%
Weighted average settlement period		11	11
(iii) Current			
All annual leave, sick leave and the long service leave entitlements representing 10 or more years			
– short-term employee entitlements, that fall due within 12 months after the end of the period measured at nominal value		2,439	2,530
– other long-term employee entitlements that do not fall due within 12 months after the end of the period		1,098	864
		3,537	3,394
(iv) Non-current			
Long service leave representing less than 10 years of continuous service measured at present value		1,656	1,532

23. Provisions (continued)

(b) Landfill restoration

Council operates a Landfill at Jackson Street, Glenorchy that is deemed to have a further useful life of at least 6 years from 30 June 2017. On closure of the landfill, Council will face close-down and restoration costs. Current estimates of the respective costs are based on management advice and engineering studies using current restoration standards and techniques.

Under legislation Council is obligated to rehabilitate the landfill site to a particular standard. Current projections indicate that the landfill site will cease operation in 2023. Rehabilitation is occurring progressively with major works planned in 2018 and after the landfill closes in 2023. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

(c) Provision summary

	Note	2017 \$'000	2016 \$'000
Current			
Employee entitlements		3,802	3,623
		3,802	3,623
Non-current			
Employee entitlements		1,807	1,671
Landfill restoration		3,949	3,862
		5,756	5,533
Total provisions		9,558	9,156

Accounting policy

Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably.

Employee entitlements provision

Employee entitlements are accrued for salaries, annual leave, sick leave and long service leave in respect of services provided by employees up to the reporting date. The sick leave accrual relates to 25.00% of the outstanding balance, which is payable to permanent employees upon termination

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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. The liability for annual leave is recognised in the provision for employee entitlements. All other short-term employee entitlement obligations are presented as payables.

(ii) Other long term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements 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.

23. Provisions (continued)

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

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

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

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

Defined contribution plans

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

Provisions – Other

Employment on-costs

Payroll tax is not an employee benefit and it is recognised separately as a liability when the employment to which it relates has occurred. Payroll tax is included as part of the Council's 'Employee benefits' in the Statement of Comprehensive Income. The related liability is included in 'Employment on-costs provision'.

Close-down and restoration costs – Landfill

Close-down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this is during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operation, and are subject to formal review at regular intervals.

Close-down and restoration costs are a normal consequence of landfill operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operation. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Statement of Comprehensive Income in each accounting period where material. The amortisation of the discount is shown as a finance cost (refer note 16).

24. Borrowings

	Note	2017 \$'000	2016 \$'000
Borrowings at the beginning of the year		6,020	6,815
New borrowings		-	-
Repayments		(852)	(795)
Borrowings at the end of the year		5,168	6,020
Current borrowings		851	852
Non-current borrowings		4,317	5,168
		5,168	6,020

The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2017. Following this review it was determined that having regard to the fixed rate of interest applicable for the remaining life of each loan, that the approximate net fair value (which equates to current market value) is \$5,341,202 (2016: \$6,342,464) compared to the actual value of \$5,168,000 (2016: \$6,020,100). All loan funds are secured against future council rate revenue.

	Note	2017 \$'000	2016 \$'000
The maturity profile for Council's borrowings is:			
Not later than one year		-	-
Later than one year and not later than five years		4,237	856
Later than five years		931	5,164
		5,168	6,020

Accounting policy

Borrowings

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 Comprehensive Income over the period of the liability using the effective interest method.

25. Other current liabilities

	Note	2017 \$'000	2016 \$'000
Trust monies held (Derwent Entertainment Centre)		34	17
Trust monies held (Local Government Officers Group)		4	-
Vehicle Funding Facility		1,010	960
Revenue received in advance		1,060	985
Refundable building deposits		392	242
Refundable contract deposits		32	42
Other refundable deposits		11	39
		2,543	2,285

Accounting policy

Other current liabilities

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

26. Investment in TasWater

	Note	2017 \$'000	2016 \$'000
Balance at the beginning of the year		163,928	161,184
Fair value adjustments on available-for-sale assets		1,075	2,744
Balance at the end of the financial year		165,003	163,928

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

Council does not have significant influence to allow it to use the equity method to account for this interest.

Accounting policy

Investment in TasWater

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against TasWater's net asset value at balance date. At 30 June 2017, Council held a 10.41% (2016: 10.41%) ownership interest in TasWater which is based on schedule 2 of the Corporation Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to a Fair Value Reserve each year (refer note 40).

Council has classified its investment in TasWater as an Available-for-Sale financial asset as defined in AASB 139 *Financial Instruments: Recognition and Measurement* and has followed AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* to value and present the asset in the Financial Report.

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

27. Property, infrastructure, plant and equipment

Reconciliation of Property, infrastructure, plant and equipment

		Carrying amount 1/07/2016 \$'000	Additions \$'000	Transfer between asset classes ¹ \$'000	Assets classified as Investment Property ² (note 36) \$'000	Disposals and write- offs \$'000	Net revaluation adjustments (note 40) \$'000	Depreciation and amortisation (note 13) \$'000	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/17 \$'000
2017	Note									
Transport	28	264,355	10,139	46	2,043	(2,767)	10,648	(7,498)	-	276,966
Stormwater and drainage	29	179,084	4,428	-	-	(1,049)	(36,462)	(2,211)	-	143,791
Land	30	190,869	116	1,148	6,865	(55)	-	-	-	198,943
Buildings and other land improvements	31	45,377	1,359	(36)	416	(133)	695	(2,219)	-	45,459
Plant and vehicles	32	1,588	514	-	-	(122)	1	(307)	-	1,674
Equipment and furniture	33	2,331	388	-	-	-	-	(198)	-	2,521
Valuation roll	34	19	352	-	-	-	-	(62)	-	308
		683,624	17,294	1,158	9,325	(4,127)	(25,117)	(12,494)	-	669,662

1 A review of properties held for sale during the year established that none of the properties were being actively marketed. As a consequence of this finding and in accordance with AASB 105 *Non-current Assets Held for Sale and Discontinued Operations*, properties held for sale have been re-classified back to transport, land and buildings as at 30 June 2017.

2 A review of investment properties during the year established that none of the properties were being held for their ability to earn rental or for their potential capital appreciation. As a consequence of this finding, investment properties have been re-classified back to their underlying asset class components of transport, land and buildings as at 30 June 2017.

		Carrying amount 1/07/2015 \$'000	Additions \$'000	Transfer between asset classes \$'000	Assets classified as Investment Property (note 36) \$'000	Disposals and write- offs \$'000	Net revaluation adjustments (note 40) \$'000	Depreciation and amortisation (note 13) \$'000	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/16 \$'000
2016	Note									
Transport	28	210,021	22,538	4	(1,153)	(4,992)	45,222	(7,284)	-	264,355
Stormwater and drainage	29	173,970	8,377	-	-	(335)	-	(2,928)	-	179,084
Land	30	56,491	217	-	(105)	(626)	-	134,892	-	190,869
Buildings and other land improvements	31	44,374	3,394	349	(92)	(1,274)	692	(2,066)	-	45,377
Plant and vehicles	32	1,727	293	-	-	(59)	-	(373)	-	1,588
Equipment and furniture	33	2,383	122	-	-	-	-	(174)	-	2,331
Valuation roll	34	56	20	-	-	-	-	(57)	-	19
		489,022	34,961	353	(1,350)	(7,286)	45,914	(12,882)	134,892	683,624

27. Property, infrastructure, plant and equipment (continued)

(a) Impairment losses

Impairment losses are recognised in the Statement of Comprehensive Income under other expenses. Reversals of impairment losses are recognised in the Statement of Comprehensive Income under other revenue.

Accounting policy

Recognition and measurement of assets

- (a) All material items were considered and an assessment made to determine if such items are assets.
- (b) If expenditure on an asset improves its service potential or future economic benefits (i.e. the useful life is extended) then this expenditure will be capitalised (added to the value of the asset). If not, the expenditure will be charged to the Statement of Comprehensive Income as repairs/maintenance.
- (c) Asset categories of Council are specified in the asset matrix. Asset categories will be consolidated into the following broad categories of nature or type:
 - Transport;
 - Stormwater and drainage;
 - Land;
 - Buildings and other land improvements;
 - Plant and vehicles;
 - Equipment and furniture;
 - Valuation roll; and
 - Capital works in progress.
- (d) All assets that have a cost or other value that can be reliably measured will be recorded in the Statement of Financial Position at the end of the reporting period. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.
- (e) Council adopts depreciated replacement cost or fair value for all property assets.
- (f) Assets are recorded by identifying separately their gross carrying value and any accumulated depreciation, other than capital works in progress.
- (g) The asset capitalisation threshold adopted by council is \$1,500. Assets valued at less than \$1,500 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).
- (h) Where a number of like items exist with individual values below the recognition threshold for future transactions, then these items will be recognised as a group, provided their total value as a group is in excess of the capitalisation threshold for that category.
- (i) Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.
- (j) Vehicles and Plant, other than plant associated with property are recorded at cost.
- (k) Property, infrastructure, plant 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.
- (l) All property, plant and equipment assets which relate to property assets, are revalued to their depreciated replacement cost in accordance with the asset matrix. Revaluations will be conducted with sufficient regularity, so as to ensure they represent fair value.
- (m) If Council believes asset values within a class have materially changed between scheduled revaluations, the asset class value will be indexed by an appropriate inflation factor.
- (n) All net revaluation increments for a class are credited directly to the asset revaluation reserve account. However, the increment is charged to the Statement of Comprehensive Income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the income statement. Net revaluation decrements for a class of assets will be debited to any previous revaluation increments for that class of assets, with any deficiency being charged to the Statement of Comprehensive Income.

27. Property, infrastructure, plant and equipment (continued)

- (o) For assets acquired after a revaluation the cost method of accounting is used. Cost is determined as the fair value of the asset given as consideration plus costs incidental to the acquisition (e.g. architects fees, engineering design fees, administration charges, direct and indirect salary costs, overheads and all other costs incurred in getting the asset ready for use) and (if applicable) the initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. All property, plant and equipment assets that are replaced or retired are removed from the asset register. This includes the gross replacement cost of the asset and the related accumulated depreciation.
- (p) Capital works in progress are recorded at cost.
- (q) In the 2016 Financial Report, Land under roads acquired prior to 30 June 2008 was recognised for the first time, consistent with the Report to Parliament by the Auditor-General No. 5 of the 2013-2014 Infrastructure Financial Accounting in Local Government. At that time, Land under roads acquired subsequent to 30 June 2008, which had been recognised in past financial reports as part of Transport assets, was moved from the Transport asset category to the Land category of non-current assets.

28. Transport

	Note	2017 \$'000	2016 \$'000
At valuation (30 June 2017)		503,894	485,587
Less accumulated depreciation		(226,928)	(221,232)
Roads at fair value	27	276,966	264,356

29. Stormwater and drainage

	Note	2017 \$'000	2016 \$'000
At valuation (1 July 2016)		213,821	353,821
Less accumulated depreciation		(69,979)	(174,686)
Less impairment expense		(51)	(51)
Stormwater and drainage at fair value	27	143,791	179,084

A review of the unit rates and useful life of drainage assets by Council (predominantly concrete pipes) has resulted in a significant drop in the valuation and depreciation for drainage assets for the financial year.

A provision for an impairment has been recognised for \$50,883. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction.

30. Land

	Note	2017 \$'000	2016 \$'000
General land – at valuation (30 June 2013)		59,119	51,105
Land under roads – at valuation (30 June 2017)		139,825	139,764
Land at fair value	27	198,943	190,869

31. Buildings and other land improvements

	Note	2017 \$'000	2016 \$'000
At valuation (30 June 2015)		95,899	92,085
Less accumulated depreciation		(50,440)	(46,708)
Buildings and other land improvements at fair value	27	45,459	45,377

32. Plant and vehicles

	Note	2017 \$'000	2016 \$'000
At cost		3,305	3,223
Less accumulated depreciation		(1,631)	(1,635)
Plant and vehicles at cost	27	1,674	1,588

33. Equipment and furniture

	Note	2017 \$'000	2016 \$'000
At cost		8,469	8,081
Less accumulated depreciation		(5,948)	(5,750)
Equipment and furniture at cost	27	2,521	2,331

34. Valuation roll

	Note	2017 \$'000	2016 \$'000
At cost		370	19
Less accumulated amortisation		(62)	-
Valuation roll at cost	27	308	19
Total property, infrastructure, plant and equipment	27	669,662	683,624

35. Other non-current assets

	Note	2017 \$'000	2016 \$'000
Capital works in progress		20,633	21,184

36. Investment properties

	Note	2017 \$'000	2016 \$'000
Balance at beginning of financial year		9,325	7,975
Transfer in		(9,325)	1,350
Transfer out		-	-
Balance at end of financial year		-	9,325

A review of investment properties during the year established that none of the properties were being held for their ability to earn rental or for their potential capital appreciation. As a consequence of this finding, investment properties have been re-classified back to their underlying asset class components as at 30 June 2017. The re-classification has been made recognising the social service objectives of Council and the primary purpose for the acquisition of the asset which is to provide a service to the community. In doing so, Council has applied AASB 140 *Investment Property* paragraph 9.1 which provides an exemption from the definition of investment property for property held to meet service delivery objectives by not-for-profit entities.

36. Investment properties (continued)

Accounting policy

Investment properties

Investment properties are held to generate long-term rental yields and are measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment properties are carried at fair value. Changes to fair value are recorded in the Statement of Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Other Comprehensive Income on a straight line basis over the lease term.

37. Commitments for expenditure

(a) Operating lease commitments

At the reporting date, Council had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

	Note	2017 \$'000	2016 \$'000
Not later than one year		520	1,017
Later than one year and not later than five years		1,237	1,747
Later than five years		816	-
		2,573	2,764

The Council leases vehicles and mobile plant and equipment under operating leases, expiring from 1 - 4 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.

Lease payments are initially established based on expected operating criteria and may adjust depending upon material variations in such operating criteria.

The Council leases office equipment under operating leases, expiring from 1 - 3 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the leases are fixed at the time of the lease start date.

The Council leases office premises under operating leases, expiring within 1 year. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the lease are fixed at the time of the lease start date.

Accounting policy

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. Council leases vehicles and mobile plant and equipment, office equipment and office premises.

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

Finance leases

Council has no finance lease obligations at 30 June 2017.

37. Commitments for expenditure (continued)**(b) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised in the financial report as liabilities:

	Note	2017 \$'000	2016 \$'000
Property		2,832	3,369
Transport		484	1,567
Stormwater		115	497
		3,431	5,433
Not later than one year		3,431	5,433
Later than one year and not later than five years		-	-
Later than five years		-	-
		3,431	5,433

38. Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities

	Note	2017 \$'000	2016 \$'000
Net surplus/(deficit)		(675)	145,491
Items not involving cash			
Depreciation expense	13 (a)	12,494	12,882
Impairment expense	20	-	-
Contributions - non-monetary assets	8 (b)	(1,184)	(17,255)
Carrying value of assets sold or retired	6	122	638
Assets written off	13 (b)	4,005	6,252
Sale of property, plant and equipment	6	(214)	(555)
Capital government grants and external contributions	7	(2,022)	(1,759)
Fair value recognition of land under roads	27 (q)	-	(134,892)
Unwinding of discounts applied to provisions	16	156	150
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		(14)	2,181
(Increase)/decrease in other current assets		(138)	(192)
(Increase)/decrease in inventories		31	16
Increase/(decrease) in trade and other payables		(1,676)	(42)
Increase/(decrease) in other current liabilities		261	(295)
Increase/(decrease) in employee entitlement provisions		316	(470)
Net cash from operating activities		11,462	12,150

39. Contingent liabilities

There are no contingent liabilities.

40. Reserves

	Balance at beginning of year		Transfers between asset classes		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-16 \$'000	1-Jul-15 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	30-Jun-17 \$'000	30-Jun-16 \$'000
Revenue reserves										
Statutory reserves										
Car parking	424	413	-	-	10	11	-	-	434	424
Public open space	568	545	-	-	14	23	-	-	582	568
Incomplete works	5,434	14,113	-	-	-	-	(2,002)	(8,679)	3,432	5,434
	6,426	15,071	-	-	24	34	(2,002)	(8,679)	4,448	6,426
Other reserves										
Irregular operating expenses	50	-	-	-	51	50	-	-	101	50
Landfill future close out costs	2,031	1,724	-	-	310	307	-	-	2,341	2,031
Landfill plant and equipment	1	1	-	-	-	-	-	-	1	1
Property, plant and equipment	162	118	-	-	4	44	-	-	166	162
City revaluation	432	372	-	-	61	60	(370)	-	123	432
Asset sales	4,758	4,278	-	-	240	480	(11)	-	4,989	4,758
Community based programs	(133)	(210)	-	-	83	77	(126)	-	(176)	(133)
Strategic Asset Management	618	492	-	-	407	126	(753)	-	272	618
Group Capital	7,919	6,775	-	-	1,156	1,144	(1,260)	-	7,817	7,919
	14,345	21,846	-	-	1,180	1,178	(3,262)	(8,679)	12,264	14,345

	Balance at beginning of year		Transfers between asset classes		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-16 \$'000	1-Jul-15 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	30-Jun-17 \$'000	30-Jun-16 \$'000
Fair value reserve										
Investment in TasWater	(32,976)	(35,720)	-	-	1,075	2,744	-	-	(31,901)	(32,976)
	(32,976)	(35,720)	-	-	1,075	2,744	-	-	(31,901)	(32,976)

40. Reserves (continued)

	Balance at beginning of year		Transfers between asset classes		Revaluation increment		Revaluation decrement		Balance at end of year	
	1-Jul-16 \$'000	1-Jul-15 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	30-Jun-17 \$'000	30-Jun-16 \$'000
Revenue reserves										
Asset revaluation reserve - transport	200,540	155,318	-	-	10,648	45,222	-	-	211,188	200,540
Asset revaluation reserve - buildings and other land improvements	15,117	14,425	-	-	695	692	-	-	15,812	15,117
Asset revaluation reserve - land	44,690	44,690	-	-	-	-	-	-	44,690	44,690
Asset revaluation reserve - stormwater and drainage	97,340	97,340	-	-	-	-	(36,462)	-	60,878	97,340
Asset revaluation reserve - plant and vehicles	2,739	2,739	-	-	1	-	-	-	2,740	2,739
Asset revaluation reserve - furniture and equipment	867	867	-	-	-	-	-	-	867	867
	361,293	315,379	-	-	11,344	45,914	(36,462)	-	336,175	361,293
Total revenue and asset revaluation reserves	342,662	301,505	-	-	13,599	49,836	(39,724)	(8,679)	316,538	342,662

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40. Reserves (continued)

Nature and purpose of reserves:

Revenue reserves

Revenue reserves for car parking, public open space and community-based programs reflect the statutory or third-party compulsory contributions that are required to be expended for specific purposes in future periods. On that basis, a portion of the operating result must be set aside in these reserves.

The City revaluation reserve represents funds set aside to undertake a city wide revaluation as authorised by the Valuer General. This revaluation occurs every seven years.

The Landfill future close out costs reserve is maintained for the restoration or rehabilitation of land to meet planning requirements and environmental standards.

The other reserves noted are maintained to provide for recurring, non-annual expenditure (Irregular operating expenses reserve); to provide for future property, plant and equipment requirements (Property, plant and equipment); and specific expenditure not completed in the previous year (Incomplete works). Net proceeds from asset sales are set aside to fund future property purchases.

Fair value reserve

The Fair value reserve includes the net revaluation increments and decrements arising from the revaluation of Council's share of the investment in TasWater.

Asset revaluation reserves

The Asset revaluation reserves include the net revaluation increments and decrements arising from the revaluation of property, plant and equipment assets in accordance with accounting policy (note 27).

Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to Community Equity.

41. Financing arrangements

The credit limit with the Commonwealth Bank of Australia for the vehicle funding facility as at 30 June:

Council has access to an established line of credit to the value of \$1 million. This line of credit has been approved to purchase Council's fleet of vehicles.

The credit limit with the Commonwealth Bank of Australia for Council's purchasing card facility as at 30 June:

Note	2017 \$'000	2016 \$'000
	2,000	2,000
	60	60

42. Financial instruments

(a) Accounting policy, terms and conditions

Financial instruments	Note	Accounting policy	Terms and conditions
Financial assets			
Cash and cash equivalents	17	Comprises cash on hand and cash in bank. Investments are held to maximise interest returns on surplus cash. Interest revenues are recognised as they accrue.	On call deposits returned an average interest rate of 1.28% (2016: 1.58%). The interest rate at 30 June 2017 was 1.25% (2016: 1.55%). The weighted average interest rate received for investments was 2.60% (2016: 2.90%).
Trade and other receivables			
Receivables rates and charges	18	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no allowance for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by 2 instalments during the year. Arrears, including deferred rates, attract interest. The interest rate at 30 June 2017 was 8.40% for general rates (2016: 8.46%).
Receivables other	18	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured.
Available for sale financial assets			
Investment in TasWater	26	The investment in TasWater is valued at its fair value at 30 June 2017. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at 30 June 2017.	
Financial liabilities			
Deposits	25	Deposits are lodged by organisations and individuals when performing work that may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. Deposits are recorded at fair value.	
Payables	22	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 specific trading terms or 30 days, whichever is earlier.
Interest-bearing loans and borrowings	24	Loans are carried at amortised cost. Interest is accrued over the period it becomes due and recognised as part of payables.	All loans are secured against the future rate revenue of Council. The weighted average interest rate on borrowings was 5.07% (2016: 5.09%).

42. Financial instruments (continued)

Liquidity risk management

Council manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities. Council monitors cash flows on a regular basis to further reduce liquidity risks.

(b) Liquidity and interest rate risk table

The following table details the Council's remaining contractual maturity for its financial liabilities and expected maturity for financial assets:

	Weighted average interest rate %	Less than 1 year \$'000		1 to 5 years \$'000		More than 5 years \$'000		Non-bearing \$'000		Total \$'000	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets											
<i>Variable interest rate</i>											
Cash and cash equivalent assets	2.60%	11,505	14,261	-	-	-	-	-	-	11,505	14,261
<i>Non interest bearing</i>											
Cash and cash equivalent assets		85	113	-	-	-	-	-	-	85	113
Trade and other receivables		568	493	-	-	-	-	-	-	568	493
Investment in TasWater		-	-	-	-	-	-	165,003	163,928	165,003	163,928
<i>Fixed interest rate</i>											
Trade and other receivables (rates and charges)	8.40%	545	525	-	-	-	-	-	-	545	525
Total		12,703	15,392	-	-	-	-	165,003	163,928	177,706	179,320
Financial liabilities											
<i>Non interest bearing</i>											
Trade and other payables		2,439	4,115	-	-	-	-	-	-	2,439	4,115
Other current liabilities		2,543	2,285	-	-	-	-	-	-	2,543	2,285
<i>Fixed interest rate</i>											
Borrowings:											
- Not later than one year	-	-	-	-	-	-	-	-	-	-	-
- Later than one year and not later than five years	4.20%	-	-	4,237	856	-	-	-	-	4,237	856
- Later than five years	5.26%	-	-	-	-	931	5,164	-	-	931	5,164
Total		4,982	6,400	4,237	856	931	5,164	-	-	10,150	12,420
Net financial assets/(liabilities)										167,556	166,900

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42. Financial instruments (continued)

(c) Fair value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at 30 June are as follows:

Financial Instruments	Total carrying amount		Aggregate Net Fair Value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial Assets				
Cash and cash equivalents	11,591	14,374	11,591	14,374
Investment in TasWater	165,003	163,928	165,003	163,928
Trade and other receivables	1,543	1,529	1,543	1,529
Total Financial Assets	178,137	179,831	178,137	179,831
Financial Liabilities				
Trade and other payables	2,439	4,115	2,439	4,115
Interest bearing loans and borrowings	5,168	6,020	6,342	6,342
Other liabilities	2,543	2,285	2,543	2,285
Total Financial Liabilities	10,150	12,420	11,323	12,742

(d) Credit risk

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

(e) Risks and mitigation

Financial risk management

Council undertakes a Strategic and Key Operational risk review on a biennial basis. The review evaluates Council's exposure to significant business and financial risks with these outcomes reported to Audit Panel and to Council. The council manages its exposure to key financial risks through this process and also through the independent Internal Audit program. The Audit Panel monitors any key risk exposure activities undertaken, and reviews all strategic policy documentation for the Council's management or mitigation of Council's risk exposure.

The Council does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

Capital risk management

Council manages its capital to ensure that Council will be able to continue as a going concern while still being able to meet the needs of the community through the optimisation of debt and equity balance. The capital structure of Council consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents disclosed in note 17 and equity including community equity and reserves as disclosed in the Statement of Changes in Equity. Council is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand Council's infrastructure and other assets, as well as to make the routine repayment of maturing debt. Council borrows from Tascorp to meet anticipated funding requirements.

Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. Council's exposure to market risk is primarily through interest rate risk with only an insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which Council is exposed are outlined 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 Council uses. Non-derivative interest bearing assets are predominantly short term liquid assets. The interest rate liability risk arises primarily from long term borrowings at fixed rates which exposes Council to fair value interest rate risk.

42. Financial instruments (continued)

Council manages the interest rate exposure on the net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from Treasury each year.

Council maintains policies to guide management in the undertaking of borrowings and the investment of short term, surplus funds.

Council's Borrowing Policy establishes a structure to ensure the organisation:

- minimises its costs of borrowings;
- minimises its liquidity risk;
- matches the characteristics of debt with those of the assets being funded, where possible; and
- operates its borrowing activities within legislative and common law responsibilities.

Council's Investment of Short Term Funds Policy establishes a structure to ensure the organisation:

- maximises interest earned on surplus funds within prudent risk limits;
- minimises its liquidity risk; and
- operates its investment activities within legislative and common law responsibilities.

Maturity of investments is staggered to provide for interest rate variations and to minimise interest rate risk.

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 has exposure to credit risk on all financial assets included in the Statement of Financial Position. To help manage this risk Council:

- has a policy for establishing credit limits for the entities it deals with;
- may require collateral where appropriate; and
- only invests surplus funds with financial institutions which have a recognised credit rating of A- or above.

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

Trade and other receivables consist of a number of customers, spread across the consumer, business and government sectors. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for doubtful debts is raised.

Liquidity risk

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

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

To help reduce these risks Council:

- has a liquidity policy which targets a minimum level of cash and cash equivalents to be maintained;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings in accordance with Council's borrowing policy.

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

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 the Commonwealth Bank of Australia):

A parallel shift of +0.25% and -0.25% in market interest rates (AUD) from year end rates of 1.25% (2016: 1.55%).

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

2017

	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)		+0.25% (25 basis points)	
Market Risk Exposure		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets:					
Cash and cash equivalents	11,505	(29)	(29)	29	29
Trade and other receivables	545	(1)	(1)	1	1

2016

	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)		+0.25% (25 basis points)	
Market Risk Exposure		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets:					
Cash and cash equivalents	14,261	(36)	(36)	36	36
Trade and other receivables	525	(1)	(1)	1	1

43. Events occurring after balance date

i) Council is currently in discussions with the Environmental Protection Authority (EPA) on a proposal affecting the closure of the Jackson Street landfill. As at balance date, these discussions are ongoing and the closure date is not believed to materially differ from the current estimate of 2023.

ii) A Board of Inquiry was initiated in October 2015 and as at balance date all known costs have been brought to account. The Board of Inquiry will continue in the 2017-18 financial year and any additional costs incurred will be brought to account during that period.

44. 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:

Aldermen

Kristie Johnston, Mayor	(from 01/07/2016 to 08/02/2017)
Harry Quick, Deputy Mayor	(from 01/07/2016 to 08/02/2017)
Jennifer Branch-Allen	(from 01/07/2016 to 08/02/2017)
Jan Dunsby	(from 01/07/2016 to 08/02/2017)
Steven King	(from 01/07/2016 to 08/02/2017)
Christine Lucas	(from 01/07/2016 to 08/02/2017)
Haydyn Nielsen OAM	(from 01/07/2016 to 08/02/2017)
David Pearce OAM	(from 01/07/2016 to 08/02/2017)
Stuart Slade	(from 01/07/2016 to 08/02/2017)
Matt Stevenson	(from 01/07/2016 to 08/02/2017)

44. Related party transactions (continued)**Commissioner**

Sue Smith (from 09/02/2017 to 30/06/2017)

Key Management Personnel

Peter Brooks, General Manager (from 01/07/2016 to 30/06/2017)

Tony McMullen, Acting General Manager (from 10/04/2017 to 30/06/2017)

Seva Iskandarli, Director, Corporate Governance and General Counsel (from 01/07/2016 to 30/06/2017)

Simon Scott, Acting Director, Corporate Governance (from 20/04/2017 to 30/06/2017)

Emilio Reale, Director, City Infrastructure (from 01/07/2016 to 24/02/2017)

Paul Garnsey, Acting Director, City Infrastructure (from 27/02/2017 to 30/06/2017)

Tony McMullen, Acting Director, Community Economic Development and Business (from 01/07/2016 to 09/04/2017)

David Ronaldson, Acting Director, Community Economic Development and Business (from 10/04/2017 to 30/06/2017)

Craig French, Acting Chief Financial Officer (from 07/04/2017 to 30/06/2017)

(ii) Aldermen Remuneration

	Allowances	Vehicles¹	Total Compensation AASB 124	Expenses	Total allowances and expenses section 72
2017	\$	\$	\$	\$	\$
Commissioner	92,054	-	92,054	-	92,054
Mayor	62,250	8,611	70,862	3,300	74,161
Deputy Mayor	30,145	-	30,145	257	30,402
Aldermen	142,291	-	142,291	8,882	151,173
	326,741	8,611	335,352	12,438	347,790

	Allowances	Vehicles¹	Total Compensation AASB 124	Expenses	Total allowances and expenses section 72
2016	\$	\$	\$	\$	\$
Mayor	95,061	10,498	105,559	5,583	111,142
Deputy Mayor	46,034	-	46,034	823	46,857
Aldermen	217,081	-	217,081	10,148	227,229
	358,176	10,498	368,674	16,554	385,228

¹ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel, other consumables and maintenance costs.

44. Related party transactions (continued)**(iii) Key Management Personnel Remuneration****2017**

Remuneration band	Number of employees	Short term employee benefits			Post employment benefits			Total \$
		Salary ¹ \$	Vehicles ² \$	Other Allowances and Benefits ³ \$	Super-annuation ⁴ \$	Other Long-term Benefits ⁵ \$	Non-monetary Benefits ⁶ \$	
\$100 001 – \$120 000	1	112,228	-	-	13,435	-	(10,537)	115,126
\$120 001 – \$140 000	1	120,989	-	-	15,729	-	3,282	139,999
\$140 001 – \$160 000	3	379,343	-	-	50,174	-	31,151	460,668
\$180 001 – \$200 000	1	157,892	-	-	20,303	-	7,749	185,943
\$200 001 – \$220 000	1	192,822	-	-	23,661	-	(1,394)	215,088
\$320 001 – \$340 000	1	249,594	24,773	-	36,030	-	29,418	339,816
		1,212,867	24,773	-	159,331	-	59,669	1,456,641

2016

Remuneration band	Number of employees	Short term employee benefits			Post employment benefits			Total \$
		Salary ¹ \$	Vehicles ² \$	Other Allowances and Benefits ³ \$	Super-annuation ⁴ \$	Other Long-term Benefits ⁵ \$	Non-monetary Benefits ⁶ \$	
\$160 001 – \$180 000	2	288,973	3,392	-	36,540	-	18,470	347,375
\$200 001 – \$220 000	1	183,035	-	-	23,709	-	(5,784)	200,960
\$260 001 – \$280 000	1	225,060	6,688	-	29,250	-	12,816	273,814
		697,068	10,080	-	89,499	-	25,502	822,149

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

2 Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel, other consumables and maintenance costs.

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.

5 Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; other non-monetary benefits (such as housing, subsidised goods or services etc).

6 Other non-monetary benefits include annual and long service leave movements.

(iv) Remuneration Principles**Alderman**

Alderman are paid allowances and compensation for certain expenses consistent with the *Local Government Act 1993*.

Executives

Remuneration of key management personnel is based on an assessment of current market remuneration for similar positions. 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.

44. Related party transactions (continued)

(v) Transactions with related parties

A review of Council's records has revealed that there were no significant related party transactions during the 2016-17 financial year.

(vi) 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 municipality. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates on a primary residence
- Dog registration
- Use of Council's swimming pool

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

45. Special committees

(a) Special committees

Glenorchy City Council recognises a special committee when the committee has been adopted by Council under section 24 of the Local Government Act 1993. Below are the committees supported during the reporting period but were disbanded on the 01/08/2016:

- City of Glenorchy Australia Day Award
- Citizen and Young Citizen of the Year Selection Committee
- Community Precincts
- Cultural Diversity Advisory Committee
- General Manager Performance Review Committee
- Glenorchy Arts and Culture Advisory Committee
- Glenorchy City Council Access Committee
- Glenorchy Emergency Management Committee
- Glenorchy Tourism Taskforce
- Glenorchy Tracks, Trails and Cycleways Committee
- Safer Communities Committee
- Sport and Recreation Advisory Committee, and
- Youth Task Force.

All expenses associated with these committees have been included in the financial report.

Community precinct committees have been established by Council as special committees and are provided with \$50 per annum to cover expenses. These expenses have been included in the financial report.

The Glenorchy Brass Band is a special committee of Council and maintains its own books and records and operates a separate bank account.

The operations of the Glenorchy Brass Band during 2016-17 were as follows:

	Income 2017 \$'000	Expenditure 2017 \$'000	Net result 2017 \$'000	Cash at bank 2017 \$'000
Glenorchy Brass Band	37	(52)	(15)	7

These results have been consolidated into Council's financial report.

(b) Audit Panel

Glenorchy City Council has an Audit Panel established under section 85 of the *Local Government Act 1993*. Under section 85B of the Act, the Audit Panel complies with the requirements under the *Local Government (Audit Panels) Order 2014*. All expenses associated with the Audit Panel has been included in the Financial Report.

46. Superannuation

Council makes superannuation contributions for the vast majority of its employees (around 94%) into various accumulation schemes and for the remaining employees (around 6%), it makes contributions into the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub fund of the Quadrant Superannuation Scheme (the Scheme) up to 30 November 2015. At this date the Quadrant Superannuation Scheme merged (via a Successor Fund Transfer) into the Tasplan Super and the Quadrant Defined Benefits Fund became a sub fund of Tasplan Super (Tasplan) from that date. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2017 Council contributed a minimum of 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was \$66.3 million the value of vested benefits was \$57.5 million, the surplus over vested benefits was \$8.8 million, the value of total accrued benefits was \$58.1 million, and the number of members was 187. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

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

Net Investment Return	7.0% p.a.
Salary Inflation	4.0% p.a.
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 2014.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2014.
3. Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017.

The Actuary recommended that in future the Council contribute 11.0% of salaries in 2014-15 and 9.5% of salaries thereafter.

The Actuary will continue to undertake a brief review of the financial position the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2017 and is expected to be completed late in 2017.

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

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

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

The 2014 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is different from the method used at the previous actuarial review in 2011.

Under the aggregate funding method of financing the benefits, the stability of 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, Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

46. Superannuation (continued)

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 \$124,228 (2016, \$129,486), and the amount paid to accumulation schemes was \$2,083,962 (2016, \$2,070,984).

During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$124,587 and the amount to be paid to accumulation schemes is \$2,089,973.

As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2014. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2017.

An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2014, showed that the Fund had assets of \$66.3 million and members' Vested Benefits were \$57.5 million. These amounts represented 8.4% and 7.5% respectively of the corresponding total amounts for the Scheme.

As at 30 June 2016 the fund had 151 members and the total employer contributions and member contributions for the year ending 30 June 2016 were \$1,956,576 and \$284,779 respectively.

47. Grants, donations and bursaries

	Note	2017 \$'000	2016 \$'000
Cash Donations			
Glenorchy Art and Sculpture Park		95	95
Claremont College Bursaries		2	1
Glenorchy City Concert Brass Band Donation		8	8
The Lions Club of Glenorchy		-	6
Eric Reece Scholarship		3	6
Various minor contributions to community organisations		9	9
	15	117	125

48. Significant business activities

Council has identified the Derwent Entertainment Centre, Landfill Operations and Childcare Centres as commercial undertakings. Details of the operating capital and competitive neutrality costs of the Council's significant business activities are set out below:

	Derwent Entertainment Centre		Landfill Operations		Childcare Centres	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue						
Reimbursements	470	411	-	-	-	-
Government Grants	-	-	-	-	689	779
User Charges	760	1,137	5,215	4,861	513	579
Other Income	64	57	111	95	45	32
Total Revenue	1,294	1,605	5,326	4,956	1,247	1,390
Expenditure						
<i>Direct</i>						
Employee Costs	608	774	868	824	1,211	1,171
Materials and Contacts	414	331	1,222	1,377	75	84
Other	336	415	149	140	57	63
<i>Indirect</i>						
Engineering & Administration	170	190	280	293	168	165
Total Expenses	1,528	1,710	2,519	2,634	1,511	1,483
	(234)	(105)	2,807	2,322	(264)	(93)
<i>Notional cost of free services received</i>						
<i>Capital Costs</i>						
Depreciation and amortisation	860	775	6	51	33	29
Opportunity cost of capital	468	330	19	15	23	17
Total Capital Costs	1,328	1,105	25	66	56	46
<i>Competitive neutrality adjustments</i>						
Rates and land tax	58	64	15	10	11	8
	58	64	15	10	11	8
Calculated Surplus/(Deficit)	(1,620)	(1,274)	2,767	2,246	(331)	(147)
Tax Equivalent rate	30%	30%	30%	30%	30%	30%
Taxation equivalent	-	-	830	674	-	-
Net Surplus/(Deficit)	(1,620)	(1,274)	1,937	1,572	(331)	(147)

48. Significant business activities (continued)

Accounting policy

Significant business activities

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

- opportunity cost of capital based upon indicative yield of the Federal Government 10 year bond rate.
- rates and charges based upon council's rate 2016-17 rate calculation.
- engineering and administration costs have been based upon a charge of 12.5% of direct operating costs.

49(a). Functions and activities of the Council

Income, expenses and assets have been attributed to the following functions and activities. The functions and activities are defined on the following page.

		Income \$'000	Expenses \$'000	Assets \$'000
Legislative, financial, executive and fiscal	2016-17	42,332	20,249	179,240
	2015-16	38,040	20,897	180,480
Public order, fire and safety	2016-17	815	921	238
	2015-16	733	867	215
Community and public health	2016-17	165	590	210
	2015-16	230	619	179
Welfare	2016-17	1,293	2,056	545
	2015-16	1,417	2,271	497
Housing	2016-17	5	296	210
	2015-16	5	300	179
Community amenities	2016-17	-	-	210
	2015-16	-	-	179
Household garbage/protection of the environment	2016-17	6,654	3,989	-
	2015-16	6,236	3,756	-
Other protection of the environment/biodiversity	2016-17	706	5,406	151,241
	2015-16	1,030	4,152	186,677
Community and regional development	2016-17	1,180	2,489	210
	2015-16	1,214	2,243	179
Recreation facilities and services	2016-17	1,785	7,687	251,824
	2015-16	2,729	7,593	254,286
Cultural facilities and services	2016-17	586	1,466	210
	2015-16	525	710	179
Road, bridge and street infrastructure	2016-17	2,594	13,778	284,416
	2015-16	151,718	14,161	271,948
Road, plant, parking and other road transport	2016-17	-	-	572
	2015-16	-	-	532
Other economic affairs	2016-17	-	-	-
	2015-16	240	675	179
Other purpose	2016-17	266	128	-
	2015-16	374	756	-
Total	2016-17	58,380	59,055	869,127
	2015-16	204,491	59,000	895,709

49. Functions and activities of the Council (continued)**(b) Reconciliation of Total Assets with the Statement of Financial Position at 30 June:**

	2017	2016
	\$'000	\$'000
Current assets	13,829	17,648
Non-current assets	855,298	878,061
	869,127	895,709

Functions and activities defined***Legislative, financial, executive and fiscal***

Aldermen expenses, election costs, public relations and strategic planning. Also other expenses such as, finance, General Managers department, information technology and human resources not otherwise allocated.

Public order, fire and safety

Fire protection services, State Emergency Service contributions, enforcement of by-laws, animal and nuisance control.

Community and public health

Infant health services, immunisation services, environmental health - inspection and general services.

Welfare

Childcare, family day care, youth services, handicapped assistance programs and services that serve the social security and welfare systems.

Housing

Rental housing for council employees and others, housing information dissemination.

Community amenities

Crematoria and cemeteries, public conveniences, drinking fountains, public clocks, street furniture and lighting.

Household garbage/protection of the environment

Garbage and refuse disposal, garbage collection and recycling.

Other protection of the environment/biodiversity

Flood protection, street cleaning, stormwater drainage and biodiversity/habitat protection.

Community and regional development

Building inspections, statutory planning - town planning and development applications.

Recreation facilities and services

Parks and reserves, playgrounds, swimming pools, indoor and outdoor sports facilities, halls and civic centres.

Cultural facilities and services

Art galleries, museums, theatres and libraries.

Road, bridge and street infrastructure

Road, bridge and street construction and maintenance, road design and research, road and highway extensions and traffic lights.

Road, plant, parking and other road transport

On and off street parking, bikeway maintenance, roadside revegetation and landscaping and footbridges.

Other economic affairs

Saleyard and markets, development support and incentives, market and promotion – tourism events and Central Business District.

Other purpose

Unallocable private works and other.

50. Management indicators

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
(a) Underlying surplus or deficit					
Recurrent income*		54,002	51,835	50,765	50,762
Less recurrent expenditure#		53,399	52,239	58,706	54,556
Underlying surplus/deficit	> \$0	603	(404)	(7,941)	(3,794)

*Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature.

#Recurrent expenditure excludes costs associated with the restructure and impairment expenses.

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
(b) Underlying surplus ratio					
Underlying surplus or deficit		603	(404)	(7,941)	(3,794)
Recurrent income*		54,002	51,835	50,765	50,762
Underlying surplus ratio %	2.5% - 5.0%	1%	-1%	-16%	-7%

This ratio serves as an overall measure of financial operating effectiveness.

Council's underlying surplus/deficit ratios reflect deficits in all four years. The negative ratios indicate that Council did not generate sufficient revenue to fulfil its operating requirements. Council is aiming to break even by 2016-17, which is supported by several reviews targeting service levels and service efficiencies.

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
(c) Net financial liabilities					
Liquid assets		13,385	16,097	26,651	33,585
Less total liabilities		19,709	21,576	23,028	24,399
Net financial liabilities	> \$0	(6,324)	(5,479)	3,623	9,186

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.

Council recorded a negative result in 2016, primarily due to the reduction in Council's cash holdings. Prior year liquid assets have been inclusive of significant capital grant funding, of which approximately \$8 million has been expended in 2015-16. This result is in line with Council's Long Term Financial Plan.

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
(d) Net financial liabilities ratio					
Net financial liabilities		(6,324)	(5,479)	3,623	9,186
Recurrent income*		54,002	51,835	50,765	50,762
Net financial liabilities ratio %	<(25%)	-12%	-11%	7%	18%

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

As noted in note (c) the declining trend reflects Councils reducing cash balances that has included capital grant funding for projects close to being completed.

50. Management indicators (continued)**(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.

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<i>Transport</i>					
Depreciated replacement cost		276,966	264,355	210,021	204,317
Current replacement cost		503,894	485,587	462,864	439,593
Asset consumption ratio %	40-60%	55%	54%	45%	46%
<i>Buildings and other land improvements</i>					
Depreciated replacement cost		45,459	45,377	44,374	48,709
Current replacement cost		95,899	92,085	88,901	107,366
Asset consumption ratio %	40-60%	47%	49%	50%	45%
<i>Stormwater and drainage</i>					
Depreciated replacement cost		143,791	179,084	173,970	167,891
Current replacement cost		213,821	353,821	346,126	333,594
Asset consumption ratio %	40-60%	67%	51%	50%	50%

This ratio indicates the level of service potential available in Council's existing asset base. All classes reported above are within the target range.

(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.

** Current value of projected capital funding outlays for an asset identified in Council's 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.

The above results indicate that the Council is presently planning to fund all required asset renewal over the next 25 year period.

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<i>Transport</i>					
Projected capital funding outlays**		82,533	81,000	104,877	102,183
Projected capital expenditure funding***		82,533	81,000	104,877	102,183
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Buildings and other land improvements</i>					
Projected capital funding outlays**		21,894	21,700	15,455	20,414
Projected capital expenditure funding***		21,894	21,700	15,455	20,414
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Stormwater and drainage</i>					
Projected capital funding outlays**		17,910	19,000	15,290	15,384
Projected capital expenditure funding***		17,910	19,000	15,290	15,384
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%

50. Management indicators (continued)**(g) Asset sustainability ratio**

	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Capital expenditure on replacement/ renewal of existing assets		11,179	11,481	9,417	9,602
Annual depreciation expense		12,494	12,882	15,250	14,774
Asset sustainability ratio %	100%	89%	89%	62%	65%

This ratio indicates whether Council is maintaining operating capacity through renewal of its existing asset base.

The ratio trend over the last four years reflects the current long term strategy to maintain replacement and renewal capital programs for the long term sustainability of Council's assets.

As at 30 June 2017	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
Asset class			
Land	-	-	-
Buildings and other land improvements	974	1,675	2,649
Transport	8,825	1,377	10,202
Stormwater and drainage	852	863	1,715
Other	528	535	1,063
Total	11,179	4,450	15,629

As at 30 June 2016	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
Asset class			
Land	-	-	-
Buildings and other land improvements	713	6,080	6,793
Transport	8,690	805	9,495
Stormwater and drainage	1,043	2,455	3,498
Other	1,035	1,166	2,201
Total	11,481	10,506	21,987

51. Fair value measurements

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

- Investment properties
- Property, infrastructure plant and equipment
 - Buildings and other land improvements
 - Land
 - Transport
 - Stormwater and drainage
 - Valuation roll

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. This asset category comprises land as disclosed in note 20. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

51. Fair value measurements (continued)

(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 markets 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 and liabilities measured and recognised at fair value at 30 June 2017.

The fair values 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 for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

As at 30 June 2017

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment properties	36	-	-	-	-
Buildings and other land improvements	31	-	-	95,899	95,899
Land	30	-	198,943	-	198,943
Transport	28	-	-	503,894	503,894
Stormwater and drainage	29	-	-	213,821	213,821
Valuation roll	34	-	-	370	370
		-	198,943	813,984	1,012,927
Non-recurring fair value measurements					
Assets held for sale	20	-	-	-	-
		-	-	-	-

As at 30 June 2016

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment properties	36	-	6,865	2,460	9,325
Buildings and other land improvements	31	-	-	92,085	92,085
Land	30	-	190,869	-	190,869
Transport	28	-	-	485,587	485,587
Stormwater and drainage	29	-	-	353,821	353,821
Valuation roll	34	-	-	19	19
		-	197,734	933,972	1,131,706
Non-recurring fair value measurements					
Assets held for sale	20	-	1,157	-	1,157
		-	1,157	-	1,157

Transfers between levels of the hierarchy

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

51. Fair value measurements (continued)

(b) Highest and best use

All assets valued at fair value in this note are being used for their highest and best use.

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

Land

Land fair values were determined by the Valuer-General effective 30 June 2013.

Land held for sale

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the approach described in the preceding paragraph.

Land under roads

Land under roads acquired since 30 June 2008 has been recognised in past Financial Reports as part of road assets. Land under roads acquired prior to 30 June 2008 is being recognised for the first time in the 2016 Financial Report, consistent with the Report to Parliament by the Auditor-General No. 5 of 2013-2014 *Infrastructure Financial Accounting in Local Government*. Because of its materiality, land under roads is now reported within the land category of non-current assets. Those assets previously recognised have been removed from road assets for inclusion in land under roads.

Buildings and other land improvements

The fair value of buildings including buildings of a specialist nature (eg heritage buildings) were determined by a qualified independent valuer effective 30 June 2015. The most significant input into this valuation approach was price per square metre.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value and 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.

As part of the revaluation, significant components were separately identified and new useful lives were assigned to each component. As a result depreciation expense is expected to increase in future periods due to shorter useful lives being applied over a number of components.

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 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 CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values 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.

51. Fair value measurements (continued)

Transport

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 managed in segments. These segments are based on intersections. An intersection is where a road intersects with another road. All road segments are then componentised into formation, pavement, sub-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.

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 assumes that pavements for high traffic areas that were constructed after 1984 are constructed to depths of 40cm. All other pavements are constructed to depths of 20cm or less. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists, and labour rates are based on Council's Enterprise Bargaining Agreement (EBA) with a percentage provision for any other employee on costs.

A review of transport infrastructure useful life was undertaken by Council's Asset Management Coordinator effective 30 June 2016. A comprehensive review including benchmarking, sample testing and collating condition data was undertaken. In addition a suitably qualified expert was engaged to review and endorse the proposed changes.

Bridges

A full valuation of bridge assets was undertaken by independent valuers, AusSpan, effective 30 June 2017. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area.

Stormwater and drainage

A review of useful life for drainage infrastructure was undertaken by Council's Engineer and Asset Coordinator effective 1 July 2016. Similar to roads, stormwater and 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.

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

Other Infrastructure

Other infrastructure is not deemed to be significant in terms of Council's Statement of Financial Position.

(d) Valuation processes

Council uses unit rates based on internal estimating software where available or a contracted rate when the internal information is not available. Where there is no basis to provide a rate from these two sources Rawlinson's Construction Cost Guide is used.

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment properties and investment in TasWater (recurring fair value measurements) is set out in note 27, 36 and 26 respectively.

Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

(e) Assets and liabilities 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).

Council borrowings are measured at amortised cost with interest recognised in the Statement of Comprehensive Income when incurred. The fair value of borrowings disclosed in note 42 equates to the carrying amount as the carrying amount approximates fair value (Level 2).

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

52. Other significant accounting policies and pending accounting standards

(a) 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

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as part of current receivables or payables in the Statement of Financial Position.

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

(b) Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of 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.

(c) 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 operating 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.

(d) Comparative information

Where required by Accounting Standards or other requirements, comparative figures are adjusted to conform with changes in presentation for the current financial year.

(e) Budget

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

(f) Contingent assets, contingent liabilities and commitments

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

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

(h) Adoption of new and amended accounting standards

In the current year, Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

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

Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. The standard further extends that required under the *Local Government Act 1993*. This information is presented in Note 44.

52. Other significant accounting policies and pending accounting standards (continued)

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

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

(i) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments* and 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) (effective from 1 January 2018)

The main impacts of these standards on Council are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Council's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

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

When adopted, the standard will affect, in particular, Council's accounting for its investment in TasWater which is an available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Council is likely to make an irrevocable election for its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

Another impact of AASB 9 relates to calculating impairment losses for Council's receivables. Assuming no substantial change in the nature of receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, Council will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised and also factor in any future changes or events.

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

- (ii) AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers*, and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*. AASB 2015-8 *Amendments to Australian Accounting Standards arising from AASB 15* provides for an effective of application from 1 January 2019.

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report include:

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. At present, such grants are recognised as revenue upfront. When the new standard becomes effective, Council will evaluate all grant agreements in place at that time to determine whether revenue from those grants could be deferred under the new requirements.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Rates received in advance, which are currently required to be recognised as revenue when received will be deferred under the new requirements until the commencement of the rating period to which they relate.

52. Other significant accounting policies and pending accounting standards (continued)

- Volunteer services and transactions where the consideration is significantly less than the fair value of that asset acquired, or no consideration is provided (for example below market leases) will be required to be recognised when certain recognition criteria are met. Council has not yet fully determined the impact of these requirements on its financial statements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). Council is yet to full complete its analysis of existing arrangements for sale of its goods and services and the impact on revenue recognition has not yet been fully determined.

(iii) AASB 16 *Leases* (effective from 1 January 2019)

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

“AASB 16 will result in most of Council’s operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Councils existing lease commitments are disclosed in note 37. The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges. Councils current operating lease expenditure is shown at Note 19. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.”

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

(iv) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017)

Amendments to AASB 107 will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to Council’s activities, or have no material impact.

Audit Opinion



Independent Auditor's Report

To the Commissioner of Glenorchy City Council

Report on the Audit of the Financial Report

Opinion

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

In my opinion the accompanying financial report:

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

Basis for Opinion

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

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

My audit responsibility does not extend to the budget figures included in the statement of comprehensive income, the Significant Business Activities disclosed in note 48, nor the asset renewal funding ratio disclosed in note 50 to the financial report and accordingly, I express no opinion on them.

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

Responsibilities of the Acting General Manager for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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



Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

19 October 2017
Hobart

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Audit Panel Report

Glenorchy City Audit Panel, 2016-17

Council's Audit Panel Charter requires that the Audit Panel (Panel), through the Chairperson, reports annually on its operations and activities.

This report covers the period July 2016 to June 2017. The report provides a background to the Audit Panel, its membership, and its operation during the 2016-17 financial year.

Background/Introduction

Council's Audit Panel was formally established by a decision of Council. The operation of the Panel is guided by the Audit Panel Charter, which is based on the requirements of the *Local Government (Audit Panels) Order* issued by the Minister for Local Government.

The role of the Audit Panel is to support the elected Council (or the person acting in the place of the elected Council) by providing independent assurance and advice in relation to Council's financial reporting and controls, risk management framework and practices, internal controls, legislative compliance, long term planning, fraud control and corruption prevention. Its role is complemented by both internal and external auditors.

Panel Composition and Membership

Membership of the Audit Panel comprises two Councillors and three independent members. The independent members of the Panel were selected following an expression of interest process.

The Audit Panel's membership changed twice during the reporting period due to the following:

- in January 2017, following the expiry of the Panel Members' initial term and appointment of new panel members, and
- in February 2017 with the appointment of Commissioner Sue Smith following the suspension of the elected Aldermen.

The membership of the Panel during the 2016-17 financial year was as follows:

Aldermanic members

- Alderman Jenny Branch-Allen (July 2016 – February 2017)
- Alderman Christine Lucas (July 2016 – February 2017)
- Commissioner Sue Smith (February 2016 – June 2017)

Independent members

- Mr Paul Oxley (Chair, July – December 2016)
- Mr Robert Hogan (Chair, January – July 2017, panel member, July – December 2016)
- Mr David Sales (Panel member, July 2016 – June 2017), and
- Mr Michael Stevens (Panel member, January – June 2017)

Meetings of the Panel

The Panel met eight times during the financial year.

Meetings were also attended by various Council staff (including the Acting General Manager and Chief Financial Officer), and external representatives from the Tasmanian Audit Office (TAO) and Council's internal auditors.

2016-17 Work Program

External audits

As required under State legislation, Council's external audit service is provided by the TAO. The Panel and Council officers worked with TAO staff during the year to review Council's internal control environment and conduct compliance based audits.

TAO staff also audited Council's 2016-17 financial reports.

Internal audits

In addition to the external audit program, Council engages independent consultants to carry out an annual internal audit program. Council's internal audit program supports the work of the Panel by reviewing Council's systems and operations in accordance with an agreed internal audit plan which is adopted annually. The adopted program is based on a risk management approach.



Internal audits aim to identify how well risks are managed, whether the right processes are in place, whether agreed procedures are being followed and whether improvement can be made. Recommendations to address issues or for improvements are made and considered by Council management and the Panel.

Council's internal auditors, Deloitte, Carried out the audits of the following areas during the financial year:

- budget management
- ICT security framework
- non-rate revenue

The Panel closely monitors Council's progress on the implementation of internal audit recommendations. As at June 2017 there were 42 recommendations outstanding of which 25 related to areas identified as being high, significant or notable risk. This represents a slight improvement on the previous year.

While the Audit Panel appreciates the progress that has been made in addressing outstanding audit recommendations, it remains concerned at the number of recommendations that relate to higher risk rated issues still to be finalised. The Audit Panel has proposed a review of all outstanding audit recommendations in 2017-18 as one of its priorities.

Other Panel activities during the reporting period

In addition, to its work relating to the internal and external audits, the Audit Panel undertook various other activities during the year, including:

- considering various matters related to the operation of the Jackson Street Landfill site. including issues raised by the Environmental Protection Agency in relation to the sites operation and the future use and direction of the site
- reviewing a report from the Tasmanian Archive and Heritage Office on records management compliance in Council and Council managements response to the recommendations of the report
- considering and endorsing a comprehensive Financial Management Strategy for consideration and adoption by Council
- considering and providing comments on a draft Fraud and Corruption Control Framework
- considering and endorsing Council's Risk Management Directive
- reviewing and commenting on data provided in Council's Corporate Performance Indicators, and particular issues raised by this information
- signing off on financial audits on the KGV Sports and Community Centre grant funding, the Derwent Park Stormwater harvesting and Reuse grant funding, and the audit of Council's compliance with the federally funded 'Roads to Recovery' Programme
- receiving a briefing on Council's performance as reported in the Audit General's Annual Local Government Performance Report to Parliament

- reviewing expenditure on the credit card held by Council's General Manager
- considering the TAO project plan and report on a review of Credit Cards use in Councils, and
- receiving briefings by Council management on key issues raised by Council.

Observations

Having considered Council's performance and internal controls in the areas of governance, financial, risk, control and compliance, the Panel is of the view that:

- Council has a comprehensive suite of current long-term plans, including a recently adopted Strategic Plan, a Long Term Financial Management Plan and a Strategic Asset Management Plan. The Asset Management and Long Term Financial Management Plan are likely to require a review in the 2017-18 financial year.
- Council has a clear Financial Management Strategy, which provides a sound basis for reviewing its financial plans.
- Council has a developing risk management framework that will be supported by a planned strategic risk management workshop in 2018, which will build on a previous workshop held in 2015-2016.
- Council has a robust internal audit process that reviews risk and internal control in significant identified areas. However, Council has been slow in some areas in implementing adopted internal audit report recommendations.
- Council has progressed some governance areas (e.g. its review of all Council policies), but is still to set out its overarching governance framework.
- More discussion is needed in relation to legislative compliance and how it is integrated across the organisation.

The Audit Panel would like to thank Council's external and internal auditors for their assistance and advice, as well as Council's management and staff for their support, advice assistance and patience.

Robert Hogan
Audit Panel Chair

August 2017





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