

HOBART CITY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2017-18 \$'000	2016-17 \$'000
Current Assets			
Cash and Cash Equivalents	16	31,844	33,051
Inventories	17	358	387
Receivables	19	7,147	5,834
Assets classified as Held for Sale	20	-	930
Prepayments		412	555
Total Current Assets		39,761	40,757
Non-Current Assets			
Receivables	19	48	190
Investment in TasWater	12	166,823	164,686
Property, Plant and Equipment	21-30	1,603,616	1,531,174
Employee Benefits	33	4,065	545
Total Non-Current Assets		1,774,552	1,696,595
Total Assets		1,814,313	1,737,352
Current Liabilities			
Payables	31	10,818	8,922
Trust, Deposits, Retention	32	3,128	3,215
Employee Benefits	33	12,391	11,769
Unearned Revenue	34	807	607
Loans	35	2,070	1,482
Provisions	36	603	792
Total Current Liabilities		29,817	26,787
Non-Current Liabilities			
Employee Benefits	33	2,808	2,624
Loans	35	18,141	10,211
Provisions	36	4,047	4,609
Total Non-Current Liabilities		24,996	17,444
Total Liabilities		54,813	44,231
Net Assets		1,759,500	1,693,121
Equity			
Reserves	37	614,644	568,443
Retained earnings		1,144,856	1,124,678
Total Equity		1,759,500	1,693,121

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-18 ACTUAL \$'000	2017-18 BUDGET \$'000	2016-17 ACTUAL \$'000
Recurrent Expenses				
Employee Costs	5	(54,360)	(55,994)	(52,753)
Materials and Services		(33,950)	(34,037)	(34,427)
Depreciation and Amortisation	6	(20,361)	(19,142)	(19,228)
Finance Costs	7	(727)	(708)	(873)
State Fire Commission Levies		(10,249)	(10,250)	(9,716)
Other	8	(7,036)	(7,310)	(7,211)
		(126,683)	(127,441)	(124,208)
Capital Expenses				
Net loss on disposal of property, plant and equipment	11	-	-	(661)
		-	-	(661)
		(126,683)	(127,441)	(124,869)
Recurrent Income				
Rates and Charges		82,048	81,478	78,495
Grants and Donations	10(a)	3,331	1,791	5,363
Fines		6,912	7,719	7,396
Rendering of Services		29,090	29,305	29,277
Distributions from TasWater		3,258	3,258	3,201
Interest		854	760	882
Rents		3,322	3,246	2,964
		128,815	127,557	127,578
Capital Income				
Capital grants received specifically for new or upgraded assets	10(b)	3,502	2,664	4,016
Net gain on disposal of property, plant and equipment	11	1,034	767	-
Contributed property, plant and equipment		5,255	-	1,793
		9,791	3,431	5,809
		138,606	130,988	133,387
Surplus	9	11,923	3,547	8,518
Other Comprehensive Income				
<i>Items that may be reclassified subsequently to surplus or deficit: -</i>				
Adjustment to fair value of investment in TasWater	12	2,137	-	1,074
<i>Items that will not be reclassified to surplus or deficit: -</i>				
Net PP&E revaluation increments / (decrements)	13	48,339	-	86,138
Defined-benefit superannuation plan actuarial gains / (losses)	33	3,980	-	4,761
Total other comprehensive income		54,456	-	91,973
Comprehensive Income for the period		66,379	3,547	100,491

This statement should be read in conjunction with the accompanying notes. Budget numbers are not audited.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Total		Retained Earnings		Reserves	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of period		1,649,804	1,592,630	1,124,678	1,112,747	525,126	479,883
Adjustment relating to land revaluation	2c	43,317	-	-	-	43,317	-
Balance at beginning of period (restated)		1,693,121	1,592,630	1,124,678	1,112,747	568,443	479,883
Comprehensive Income for the period		66,379	100,491	15,903	13,279	50,476	87,212
Transfers to reserves	37	-	-	(25,669)	(22,993)	25,669	22,993
Transfers from reserves	37	-	-	29,944	21,645	(29,944)	(21,645)
Balance at end of period		<u>1,759,500</u>	<u>1,693,121</u>	<u>1,144,856</u>	<u>1,124,678</u>	<u>614,644</u>	<u>568,443</u>

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-18 ACTUAL \$'000	2017-18 BUDGET \$'000	2016-17 ACTUAL \$'000
Cash Flows from Operating Activities				
<i>Receipts</i>				
Rates		81,904	81,333	78,383
Rendering of services (inclusive of GST)		31,396	32,188	32,168
Interest		851	760	830
Grants (inclusive of GST)		3,600	1,790	5,709
Rents (inclusive of GST)		3,632	3,565	3,237
Fines		6,349	7,719	7,168
Distributions from TasWater		3,258	3,258	3,258
Net GST refund		3,656	4,166	3,115
Other receipts (inclusive of GST)		671	167	78
		<u>135,317</u>	<u>134,946</u>	<u>133,946</u>
<i>Payments</i>				
Employee costs		(52,991)	(54,753)	(52,010)
Payments to suppliers (inclusive of GST)		(41,333)	(42,483)	(41,013)
Interest		(632)	(651)	(709)
Other payments (inclusive of GST)		(13,811)	(14,691)	(15,488)
		<u>(108,767)</u>	<u>(112,578)</u>	<u>(109,220)</u>
Net Cash Flow from Operating Activities	38	<u>26,550</u>	<u>22,368</u>	<u>24,726</u>
Cash Flows from Investing Activities				
<i>Proceeds</i>				
Grants		3,502	2,664	4,016
Sales of Property		2,469	800	68
Sales of Plant and Equipment		1,031	873	609
		<u>7,002</u>	<u>4,337</u>	<u>4,693</u>
<i>Payments</i>				
Infrastructure - Employee Costs		(4,603)	(4,198)	(3,774)
Infrastructure and Facilities - Other		(33,713)	(35,938)	(21,641)
Property		(759)	-	(330)
Plant and Equipment		(4,202)	(4,993)	(5,524)
		<u>(43,277)</u>	<u>(45,129)</u>	<u>(31,269)</u>
Net Cash Flow from/(used in) Investing Activities	38	<u>(36,275)</u>	<u>(40,792)</u>	<u>(26,576)</u>
Cash Flows from Financing Activities				
Proceeds from Borrowings	35	10,000	15,000	-
Repayment of Borrowings	35	(1,482)	(1,482)	(1,404)
Net Cash Flow from/(used in) Financing Activities	39	<u>8,518</u>	<u>13,518</u>	<u>(1,404)</u>
Net Increase (Decrease) in cash held		(1,207)	(4,906)	(3,254)
Cash Held at the Beginning of the Year		33,051	33,051	36,305
Cash held at the End of the Year	16	<u>31,844</u>	<u>28,145</u>	<u>33,051</u>

This statement should be read in conjunction with the accompanying notes. Budget numbers are not audited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Local Government Reporting Entity

All funds through which Council controls resources to carry out its functions have been included in the financial statements of the Council. This includes Controlling Authorities which Council has established pursuant to s.29 of the *Local Government Act 1993*, namely The Hobart Aquatic Centre.

The financial report of the Council incorporates only those items over which the Council has control.

Amounts received as tender deposit and retention amounts controlled by the Council are disclosed separately within current liabilities.

b) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board such as Interpretations, and the *Local Government Act 1993*.

Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result, the financial report does not comply with International Financial Reporting Standards.

The financial report has been prepared on the accrual basis under the convention of historical cost accounting and does not take into account changing money values, except in relation to some non-current assets which are stated at current valuations.

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

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Significant assumptions and judgements were made in determining the values of employee provisions and superannuation liabilities (detailed in note 1(g)) and the fair value of property, plant and equipment, including useful lives and depreciation (detailed in note 1(j)).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to Council, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised: -

Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured, and the timing of commencement of control depends upon the arrangements that exist between the grantor and Council. Donations and other contributions are recognised at the fair value of the assets received.

Rendering of Services

Where a contract has been completed, all related revenue is recognised when Council controls a right to be compensated for the services provided. Where a contract has not been completed, revenue is recognised only to the extent of costs incurred. Contracts generally arise as a result of requests for work to be carried out at a property-owner's expense, or from compulsory works carried out by Council pursuant to legislation.

Sale of Assets

Revenue is recognised when control of the assets has passed to the buyer.

Fines

Revenue is recognised when Council controls a right to receive consideration for the enforcement of legislation and Council by-laws.

Rents, Interest and Dividends

Revenue is recognised when Council has attained control of a right to receive consideration for the provision of, or investment in, assets.

d) Cash and cash equivalents (Note 16)

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank, deposits at call and highly liquid investments with short periods to maturity, net of outstanding bank overdrafts.

e) Inventories (Note 17)

Stock is valued at historical cost using the weighted average cost method. Stock is reviewed annually and an appropriate provision for obsolete stock is made.

f) Financial Assets (Notes 12 and 18)

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments in subsidiaries are measured at cost. Investments in associates are accounted for under the equity method.

Council has classified its ownership interest in TasWater as an "available-for-sale financial asset" recorded at fair value. All other financial assets are classified as "loans and receivables" and are recorded at amortised cost less impairment. The collectability of debts is assessed at year-end and an allowance is made for impairment.

Penalty and interest are charged on outstanding rates in accordance with s128(c) of the *Local Government Act 1993*.

g) Employee Benefits (Note 33)

Wages and salaries, annual leave, long service leave and sick leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provision is also made for related superannuation contributions.

Provisions made in respect of employee benefits which fall due wholly within 12 months after the end of the period in which the employees rendered the related service, are measured at their nominal values using remuneration rates expected to apply at the time of settlement. Other provisions are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Discount rates used are those attaching to national government guaranteed securities at balance date which most closely match the terms to maturity of the related liabilities.

In determining “pre-conditional” long service leave entitlements, the amount of cash outflows required to be made by Council in the future have been estimated on a group basis after taking into consideration Council’s experience with staff departures.

The liability for employee entitlements to sick leave is equivalent to 17.5% of total accumulated sick leave entitlements at the reporting date because this amount is payable to employees on retirement or resignation.

Superannuation

Council contributes to two superannuation plans in respect of its employees - a defined contribution plan and a defined-benefit plan.

Superannuation expense for the reporting period in respect of the defined contribution plan is the amount paid and payable to members’ accounts in respect of services provided by employees up to the reporting date.

For the defined-benefit plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in the period in which they occur, and are included in ‘other comprehensive income’.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined-benefit obligation recognised in the statement of financial position represents the present value of the defined-benefit obligation, adjusted for unrecognised past service cost, net of the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

h) Provisions (Note 36)

Provisions are recognised when Council has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

i) Non-current assets classified as held for sale (Note 20)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are 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 (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

j) Property, Plant and Equipment (Notes 21-30)

Acquisition

Purchases of property, plant and equipment are initially recorded at cost. Cost is defined as the purchase consideration plus any costs incidental to the acquisition.

The cost of property, plant and equipment constructed by Council includes the cost of all materials, direct labour and related labour overheads consumed in the construction.

Revaluations

Plant and equipment, and the valuation roll, are recorded at cost. All other property, plant and equipment is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in surplus or deficit.

When the carrying amount of a class of assets is decreased as a result of a revaluation, the net revaluation decrease is recognised in profit or loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that same class of assets.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Where indexation adjustments have been applied to land values, these have been calculated by reference to land value adjustment factors published annually by the Department of Primary Industries, Parks, Water and Environment, in accordance with the Valuation of Land Act 2001.

Where indexation adjustments have been applied to other asset values, these have been calculated by reference to the 'council cost index' published annually by the Local Government Association of Tasmania (LGAT).

Note 48 details Council's approach to revaluing each class of property, plant and equipment. Where progressive revaluations have been employed for items of property, plant and equipment, revaluation of the particular asset class is completed within a three-year period. Earthworks are not included in the valuation of road assets.

Current cost in relation to an asset means the lowest cost at which the gross service potential of that asset could be obtained in the normal course of operations.

The carrying amount of each asset whose service potential is related to its ability to generate net cash inflows is reviewed at balance date to determine whether such carrying amount is in excess of its recoverable amount. If the carrying amount of an asset of the type mentioned exceeds recoverable amount, the asset is written-down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

No provision is made for capital gains tax liability in respect of revalued assets because Council is not subject to this tax.

Depreciation

All items of property, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets. Land is considered to have an unlimited useful life and therefore is not depreciated. Residual values are assumed to be zero except for some plant and equipment assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the beginning of the first reporting period following completion.

Useful lives are estimated on a time basis and are reviewed periodically. The straight-line method is employed for all assets. Ranges of useful lives for major asset classes are: -

<u>Asset Class</u>	<u>Range</u>	<u>Asset Class</u>	<u>Range</u>
<u>Buildings</u>		<u>Pipes, Drains & Rivulets</u>	
Halls	125 - 150	Water Mains	25 - 126
Car Parks	150	Irrigation	10 - 120
Grandstands and Change Rooms	60 - 150	Sewer Mains	20 - 80
Public Conveniences	100	Stormwater Mains	10 - 134
Depot Buildings	60 - 150	Rivulets	15 - 120
Administrative Offices	100 - 500		
Other	40 - 150	<u>Plant & Equipment</u>	
		Heavy Plant and Equipment	5 - 20
<u>Land Improvements</u>		Fleet Vehicles	3 - 5
Landscaping	50	Minor Plant	3 - 25
External Playing Surfaces	10 - 100	Furniture and Office Equipment	2 - 30
Other	3 - 100		
		<u>Roads & Bridges</u>	
<u>Other Structures</u>		Sealed Roads	17 - 150
Furniture & Signs	1 - 100	Bridges	20 - 100
Drainage Structures	10 - 100	Footpaths, Kerbs and Gutters	15 - 75
Playground Equipment	5 - 30	Cycleways & Tracks	12 - 85
Fountains	10 - 80		
Other	1 - 500	<u>Other</u>	
		Valuation Roll	6
		Infrastructure Plant	3 - 100

Monuments

Council controls a number of monuments but has elected not to recognise these on the basis that they cannot be reliably measured.

Land under Roads

Land under roads is accounted for in accordance with AASB 116 *Property, Plant and Equipment*.

k) Leases (Note 42)

Finance Leases as lessee

Leases under which Council assumes substantially all the risks and rewards of ownership are classified as finance leases and are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely that Council will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged as an expense of the period.

Operating Leases as lessee

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

Council leases several parcels of Crown land under lease agreements with the State Government. Generally, these leases 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 it has control over the land, and will derive economic benefits from it.

Operating Leases as lessor

Council owns a range of facilities that are available for lease by not-for-profit sport, recreational and community organisations. Generally, leases to not-for-profit organisations do not reflect commercial arrangements and have minimal lease payments. Land and buildings which are leased under these arrangements are recognised within property, plant and equipment in the Statement of Financial Position, and associated rental income is recognised in accordance with Council's revenue recognition policy.

Furthermore, Council leases some of its land and buildings on commercial terms which may include incentives for the lessee to enter into the agreement, for example a rent-free period or discounted rent. Council does not account for the cost of incentives because the amounts are unlikely to be material and/or cannot be reliably measured. Rental income is recognised in accordance with Council's revenue recognition policy.

Where leasing of a property is incidental to Council's use of it, the associated land and buildings are recognised within property, plant and equipment in the Statement of Financial Position, and valued in accordance with Council's valuation policy.

l) Financial Liabilities (Notes 31, 32 and 35)

Financial liabilities are measured initially at fair value plus any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed or not. The amounts are unsecured and are usually paid within 30 days of recognition.

Council has issued a number of debt instruments which are secured by revenues of the Council. Repayments are made semi-annually in arrears, and interest expense is accrued at the contracted rate and included in payables.

m) Heritage Account (Notes 15 and 16)

On 16 July 1999, the *National Trust Preservation Fund (Winding-up) Act 1999* (the Act) commenced. The purpose of the Act is to provide for the winding-up of the National Trust Preservation Fund (Preservation Fund) and the distribution of the monies held in that fund. The Act requires the Hobart City Council to establish a Heritage Account, into which the Minister is to transfer one-half of the monies contained in the Preservation Fund.

On 15 December 1999, Council established the required Heritage Account with Perpetual Trustees Tasmania Limited, and the Minister transferred an amount of \$1,216,205 to that account.

The Act requires that funds transferred into the Heritage Account be applied for the provision of financial or other assistance in relation to an entry in either the National Trust register kept by the National Trust of Australia (Tasmania), or the Tasmanian Heritage Register.

In order to satisfy its responsibilities under the Act, Council has established a Heritage Account Special Committee as a Special Committee of Council pursuant to section 24 of the *Local Government Act 1993*.

n) Goods and Services Tax (GST)

Revenues, expenses and assets have been recognised net of GST where that GST is recoverable from the Australian Taxation Office (ATO). Where an amount of GST is not recoverable from the ATO, it has been recognised as part of the cost of acquisition of an asset or part of an item of expense to which it relates. Receivables and payables have been stated with the amount of GST included. The net amount of GST recoverable from the ATO has been included as part of receivables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

o) Budget

Estimated revenues and expenses in the Statement of Comprehensive Income, and estimated receipts and payments in the Statement of Cash Flows, represent original budget amounts, and are not audited.

p) Rounding

Amounts shown in the financial statements are rounded to the nearest thousand dollars. This may result in minor variations between schedules.

2. CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES & CORRECTION OF PRIOR PERIOD ERRORS

a) New and revised Accounting Standards and Interpretations adopted in the current period

Council has adopted the following new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are relevant to its operations and effective for the current reporting period: -

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Amendments to AASB 107 require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities. Council has included a reconciliation of liabilities arising from financing activities at note 39.

b) New and revised Accounting Standards and Interpretations not yet adopted

Council has not yet applied the following Australian Accounting Standards and Interpretations which have been issued and are relevant to its operations, but are not yet effective. These will be applied from their application dates.

AASB 9 Financial Instruments and the relevant amending standards (applies from 2018-19).

This standard replaces the existing standard, *AASB139: Financial Instruments: Recognition and Measurement*, and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by an entities business model for holding the particular asset and its contractual cash flows.

The amortised cost model is available for debt assets meeting both a 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. Where the business model is achieved by both collecting the contractual cash flows and from selling the financial asset, it may be classified as fair value through other comprehensive income. Any financial asset not held in either of these classifications, or where designated, will be classified as fair value through profit or loss. 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, where the financial asset is an equity instrument not held for trading, and an irrevocable election is made to present all movements in other comprehensive income.

When adopted, the standard requires Council to reclassify all financial assets. This includes Council's classification and accounting for its significant investment in TasWater which is an available-for-sale financial asset. Council currently recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 Council can make an irrevocable election for its equity investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard would not impact the way movements in the fair value are accounted for. It is expected that Council will make that election.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Council does not expect the standard to have a material impact overall.

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.

Council will apply the standard from 1 July 2018 and expects to use a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but will require a reconciliation of changes in classification of financial assets and financial liabilities.

AASB 15 Revenue from Contracts with Customers (applies from 2019-20)

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council has analysed the new revenue recognition requirements noting that future impacts include:

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).
- 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.
- 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.
- 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 will continue being recognised as revenue upfront assuming no change to the current grant arrangements.

For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations, but where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received at note 15. Council's assessment is that \$5.388 million of grants received and unexpended for the current year, would be deferred as a liability under AASB 15 and progressively recorded as income as performance obligations are fulfilled.

Council does not expect any material impact in the timing of revenue on the sale of goods and services as sales are currently aligned to the reporting period that the performance obligations are aligned to.

Council will apply the standard from 1 July 2019 and expects to use a retrospective approach with cumulative catch-up with an adjustment to accumulated surpluses for the difference in accounting treatment on initial adoption.

AASB 1058 Income of Not-for-Profit Entities (applies from 2019-20)

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 *Contributions*. The timing of income recognition under AASB 1058 depends on whether a transaction gives rise to a liability or other performance

obligation, or a contribution by owners, related to an asset (such as cash or another asset) received.

AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the asset is principally to enable Council to further its objectives. In cases where Council enters into other transactions, Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*).

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will recognise income as it satisfies its obligations under the transfer, similarly to income recognition in relation to performance obligations under AASB 15 as discussed above.

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. Council does not currently have any assets acquired that are leased at a "Peppercorn" rate.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises income when received. Under AASB 1058, income is recognised when the taxable event has occurred. An impact for Council is that prepaid rates received prior to the beginning of a rating period, will now be recognised as a financial liability until the commencement of that rating period. The impact to Council will be that revenue recognised when received from Rates and charges in advance as disclosed in note 14, will now be recorded as a liability, with revenue deferred until the commencement of the applicable rating period.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has not yet determined the quantitative impact of these requirements on its financial statements.

Council will apply the standard from 1 July 2019 and expects to use a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

AASB 16 *Leases* (applies from 2019-20)

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 42.

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. 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.

Council is working through the effect of this change in leases on its financial statements, however has not yet fully quantified the impact.

Council will apply the standard from 1 July 2019 and expects to use a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

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

c) Correction of prior period error on Land

During the current period it was discovered that Land had not been indexed for the 2016-17 period. Land was last revalued in 2015 in accordance with the Office of the Valuer-General's valuation of the Hobart municipality.

As this error relates to a prior period, the 2016-17 Actual Comparatives have been restated as follows:

- Land value has been increased by \$43.317 million.
- Asset Revaluation Reserve has been increased by 43.317 million.

The below section shows the restatement of each line item in the financial statements affected by the error.

Statement of Financial Position (Extract)

Financial Statement Line Item Affected	Notes	2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000
Non-Current Assets				
Property, Plant and Equipment	21-30	1,487,857	43,317	1,531,174
Total Non-Current Assets		<u>1,653,278</u>	<u>43,317</u>	<u>1,696,595</u>
Total Assets		<u>1,694,035</u>	<u>43,317</u>	<u>1,737,352</u>
Net Assets		<u>1,649,804</u>	<u>43,317</u>	<u>1,693,121</u>
Equity				
Reserves	37	525,126	43,317	568,443
Total Equity		<u>1,649,804</u>	<u>43,317</u>	<u>1,693,121</u>

Statement of Comprehensive Income (Extract)

Financial Statement Line Item Affected	Notes	2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000
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Other Comprehensive Income

Items that will not be reclassified to surplus or deficit: -

Net PP&E revaluation increments / (decrements)	13	42,821	43,317	86,138
Total other comprehensive income		<u>48,656</u>	<u>43,317</u>	<u>91,973</u>
Comprehensive Income for the period		<u>57,174</u>	<u>43,317</u>	<u>100,491</u>

Statement of Changes in Equity (Extract)

Financial Statement Line Item Affected	Note	Total			Reserves		
		2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000	2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000
Comprehensive Income for the period		<u>57,174</u>	<u>43,317</u>	<u>100,491</u>	<u>43,895</u>	<u>43,317</u>	<u>87,212</u>
Balance at end of period		<u>1,649,804</u>	<u>43,317</u>	<u>1,693,121</u>	<u>525,126</u>	<u>43,317</u>	<u>568,443</u>

Note 4. Functions/Activities of the Council (Extract)

Financial Statement Line Item Affected		Assets \$'000
Other (Not Attributed)	2016-17	231,291
	Error Correction Adjustment	43,317
	2016-17 Restated	274,608
Total	2016-17	1,694,035
	Error Correction Adjustment	43,317
	2016-17 Restated	1,737,352

Note 13. Asset Revaluations (Extract)

Financial Statement Line Item Affected	Note	2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000
Land		-	43,317	43,317
Net PP&E Revaluation increments	21,37	<u>42,821</u>	<u>43,317</u>	<u>86,138</u>

PP&E Revaluations recognised in other comprehensive income

Note 21. Property, Plant and Equipment (Extract)

Financial Statement Line Item Affected	Note	Net Revaluation/Indexation Adjustments			Carrying Amount		
		30/6/17 \$'000	Error Correction Adjustment \$'000	30/6/17 Restated \$'000	30/6/17 \$'000	Error Correction Adjustment \$'000	30/6/17 Restated \$'000
Land	23	-	43,317	43,317	865,035	43,317	908,352
		<u>42,821</u>	<u>43,317</u>	<u>86,138</u>	<u>1,487,857</u>	<u>43,317</u>	<u>1,531,174</u>

Note 23. Land and Buildings (Extract)

Financial Statement Line Item Affected	2016-17 \$'000	Error Correction Adjustment \$'000	2016-17 Restated \$'000
Land			
At Cost	689,694	(689,264)	430
At Valuer-General's market valuation - 2015	175,341	732,581	907,922
	<u>865,035</u>	<u>43,317</u>	<u>908,352</u>
	<u>1,012,109</u>	<u>43,317</u>	<u>1,055,426</u>

Note 37. Reserves (Extract)

Financial Statement Line Item Affected	Note	Balance	Error	Balance
		2016-17	Correction	2016-17
		\$'000	\$'000	Restated
				\$'000
Asset Revaluation Reserve	13	538,551	43,317	581,868
		<u>525,126</u>	<u>43,317</u>	<u>568,443</u>

Note 48. Fair Value Measurements (Extract)

Financial Statement Line Item Affected	Note	2016-17		Level 2 Restated	Total	Error Correction Adjustment	Total Restated
		Level 2	Error Correction Adjustment				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Recurring fair value measurements</u>							
Land	23	865,035	43,317	908,352	865,035	43,317	908,352
		<u>865,035</u>	<u>43,317</u>	<u>908,352</u>	<u>1,468,765</u>	<u>43,317</u>	<u>1,512,082</u>

d) Correction of prior period error on Operating Leases

During the current period it was discovered that the operating lease commitments for the prior year had been calculated incorrectly.

As this error relates to a prior period, the 2016-17 Actual Comparatives have been restated as follows:

Note 42. Operating Leases (Extract)

Financial Statement Line Item Affected	2016-17	2016-17
	\$'000	Restated
		\$'000
<i>a) Operating Lease commitments at the reporting date not recognised in liabilities:</i>		
Not longer than one year	988	947
Longer than one year and not longer than two years	892	897
Longer than two years and not longer than five years	2,611	2,680
Longer than five years	15,512	9,483
	<u>20,003</u>	<u>14,007</u>

e) Correction of prior period on Provisions

During the current period, provisions were more correctly split between current and non-current liabilities. In order to make prior period comparisons more useful, the 2016-17 Actual Comparatives have been restated per note 36.

3. SIGNIFICANT WEATHER EVENT

On May 10, Hobart and surrounds experienced a major weather event causing significant flooding. Following the initial emergency response, Council has undertaken, and continues to undertake, a systematic inspection of assets damaged by the event.

As at the date of this report it is still too early to quantify the financial impacts. The following is a summary of information available to date:

- Emergency and clean up costs. During the period emergency and clean up costs were incurred totalling \$1.319 million. These costs have been excluded from the calculation of the underlying result (see note 9).
- Insurable losses. Damage has occurred to insurable assets, primarily buildings. A claim will be submitted and full recovery is expected, except for the policy excess.
- Damage to essential public assets. The initial estimate of damage costs and clean up costs is \$20 million. Recovery assistance is available under the Commonwealth Government's Natural Disaster Relief and Recovery Arrangements (NDRRA), via the State Department of Premier and Cabinet. Eligibility criteria and thresholds apply, which Council is confident it satisfies, but in overall terms, approximately 75% of eligible costs will be reimbursed.
- Damage to non-essential public assets. Damage to assets and clean up costs not meeting the NDRRA definition of essential public assets, has been estimated at approximately \$4.5 million. An application has been made under the NDRRA Community Grant Recovery Program, also capped at 75%, and is currently being assessed.
- Following the review of damage, a review of asset impairment was performed and an impairment of \$0.272 million has been recorded which has been excluded from the calculation of the underlying result (see note 9).

4. FUNCTIONS/ACTIVITIES OF THE COUNCIL

		Expenses \$'000	R e v e n u e s			Assets \$'000
			Grants \$'000	Other \$'000	Total \$'000	
Public Order and Safety	2017-18	10,913	0	9,808	9,808	13
	2016-17	9,812	0	9,345	9,345	14
Health	2017-18	1,932	1,177	-514	663	156
	2016-17	2,253	0	358	358	146
Welfare	2017-18	3,806	171	183	354	2,709
	2016-17	3,645	149	206	355	3,104
Community Amenities	2017-18	22,461	20	14,635	14,655	164,115
	2016-17	23,247	15	16,199	16,214	154,558
Recreation and Culture	2017-18	33,980	118	8,308	8,426	295,740
	2016-17	33,214	105	8,172	8,277	271,371
Parking	2017-18	12,206	0	21,863	21,863	89,444
	2016-17	11,893	0	21,945	21,945	92,494
Transport	2017-18	16,129	1,691	540	2,231	954,314
	2016-17	16,168	2,357	543	2,900	938,289
Economic Services	2017-18	6,149	150	2,215	2,365	2,758
	2016-17	5,643	150	1,997	2,147	2,768
Other (Not Attributed)*	2017-18	19,107	4	68,446	68,450	305,064
	2016-17 Restated	18,333	2,587	63,450	66,037	274,608
Total	2017-18	126,683	3,331	125,484	128,815	1,814,313
	2016-17 Restated	124,208	5,363	122,215	127,578	1,737,352

Note - Capital expenses and capital income are not included.

The Other (Not Attributed) and Total line items for 2016/17, under the Assets column, have been restated due to a prior period error (see note 2c).

* Rates and charges for Stormwater, Solid Waste Management and Fire have been attributed to functions, but general rates have not.

The activities relating to Council's functions are classified as follows:-

Public Order and Safety:-	fire prevention and emergency management.
Health:-	food control, immunisation services and animal control.
Welfare:-	youth services and aged care services.
Community Amenities:-	solid waste management, stormwater drainage, public conveniences, street lighting, council-owned properties and administration of planning schemes.
Recreation and Culture:-	public halls, the Aquatic Centre, recreation centres, parks and reserves, the nursery, and festivals.
Parking:-	car parks and on-street parking.
Transport:-	roads, footpaths, bridges, and traffic signs.
Economic Services:-	Salamanca Market and tourism promotion.

5. EMPLOYEE COSTS

	Note	2017-18 \$'000	2016-17 \$'000
Gross Wages and Salaries		47,657	45,958
<u>Less</u> : Amounts Capitalised		(3,186)	(2,630)
Leave payments		(3,688)	(3,567)
		<u>(6,874)</u>	<u>(6,197)</u>
Wages and Salaries expensed		40,783	39,761
Leave Entitlements		4,298	3,713
Defined-benefit superannuation plan	33	1,401	1,546
Other superannuation		4,670	4,464
Workers Compensation Insurance		786	624
Payroll Tax		3,146	3,245
Aldermanic Allowances		522	523
Employee Separation payments		171	21
Labour Overheads Capitalised		(1,417)	(1,144)
		<u>54,360</u>	<u>52,753</u>
Number of Employees (Full-time equivalent)		596	595

6. DEPRECIATION AND AMORTISATION

Land Improvements		1,064	1,015
Buildings		2,284	2,250
Infrastructure Plant		410	311
Plant and Equipment		3,137	2,927
Pipes, Drains and Rivulets		1,730	1,674
Roads and Bridges		8,314	7,656
Other Structures		3,410	3,383
Other		12	12
		<u>20,361</u>	<u>19,228</u>

7. FINANCE COSTS

Interest on Loans		632	709
Landfill Restoration Provision	36	123	122
Defined-benefit superannuation scheme	33	(28)	42
		<u>727</u>	<u>873</u>

8. OTHER EXPENSES

	Note	2017-18 \$'000	2016-17 \$'000
Pensioner Rate Remissions		1,161	1,157
<u>less: Reimbursements from Government</u>	10	<u>(1,129)</u>	<u>(1,124)</u>
		32	33
Other Rate Remissions		13	12
Grants and Specific Purpose Benefits		3,199	2,977
Auditor General's Fee - Audit of the Financial Report		53	50
Other Audit Fees		158	64
Bad and Doubtful Debts		291	598
Assets Written-off		2,299	2,315
Obsolete Stock		-	1
Fringe Benefits Tax		276	410
Land Tax		715	751
		<u>7,036</u>	<u>7,211</u>

9. UNDERLYING RESULT

Council's underlying result for the period is calculated by excluding those items included in surplus or deficit which are either capital in nature, non-recurring, or the result of contributions received in advance.

	Note	2017-18 \$'000	2016-17 \$'000
Surplus		11,923	8,518
<i>exclude</i>			
Capital Grants	10	(3,502)	(4,016)
Contributed Property, Plant and Equipment		(5,255)	(1,793)
Write-off of assets as a result of weather event	3	272	-
Additional costs as a result of weather event	3	1,319	-
Gains from one-off disposal of surplus land & buildings	11	(1,137)	-
<i>adjust Financial Assistance Grants received in advance</i>	10		
2017/18 allocation received in 2016/17		1,318	(1,318)
2018/19 allocation received in 2017/18		(1,382)	-
<i>adjust Rates received in advance</i>	14		
2016/17 rates received in 2015/16		-	609
2017/18 rates received in 2016/17		863	(863)
2018/19 rates received in 2017/18		(724)	-
Underlying Surplus		<u>3,695</u>	<u>1,137</u>

10. GRANTS AND DONATIONS

	Note	2017-18 \$'000	2016-17 \$'000
a) Operating Grants			
<i>provided by Government</i>			
Commonwealth Financial Assistance Grants		2,738	3,881
Pensioner Rate Remission Grants	8	1,129	1,124
Employment Creation Initiatives		4	10
Fuel Tax Credit Scheme		126	123
South Hobart Living Arts Centre		-	928
Still Gardening Program		148	142
Tasmanian Bushfire Mitigation Program		-	40
Tasmanian Travel and Information Centre		150	150
Miscellaneous		108	29
		4,403	6,427
<i>other</i>			
Provision of Public Open Space		57	60
		57	60
		4,460	6,487
<u>less:</u> Pensioner Rate Remission Grants netted against Remissions	8	(1,129)	(1,124)
		3,331	5,363

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB1004 *Contributions*, Council recognises these grants as revenue when it receives the funds and obtains control.

Since 2009-10 the Commonwealth has been making early payments of financial assistance grants in some years but not in others. Two instalments (50%) of the 2017-18 grants were brought-forward and received in June 2017. Again in this current period two instalments (50%) of the 2018-19 grants were brought-forward and received by Council in June 2018. Council has reflected these latest early payments in its 2018-19 budget, but has assumed that future grants will be received in the year to which they relate.

Future payments of Financial Assistance Grants remain at the Commonwealth's discretion.

	2017-18 \$'000	2016-17 \$'000
b) Capital Grants		
<i>provided by Government</i>		
Roads to Recovery Program	1,028	1,194
Macquarie Street Hotmix Overlay	319	-
Blackspot Program	519	95
Bridge of Remembrance	1,636	2,727
	3,502	4,016
Total Grants and Donations	6,833	9,379

c) Conditions

Grants and donations which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a particular manner, but had yet to be applied in that manner as at the reporting date :

1,695 3,468

Grants and donations which were recognised as revenues in a previous reporting period and were expended during the current reporting period in the manner specified by the contributor :

(3,051) (1,861)

Net increase/(decrease) in assets subject to conditions

(1,356) 1,607

Assets subject to conditions at the beginning of the period

6,927 5,320

Assets subject to conditions at the end of the period

15

5,571 6,927

With the exception of assets subject to conditions at the end of the period, all funds granted have been expended for the purpose for which they were provided.

11. ASSET SALES

	2017-18 \$'000	2016-17 \$'000
<i>Plant & Equipment</i>		
Proceeds from sales	1,031	609
Less carrying amount of assets sold	(1,134)	(1,283)
Gain / (Loss) on disposal	(103)	(674)
<i>Land and Buildings</i>		
Proceeds from sales	2,469	68
Less carrying amount of assets sold	(1,332)	(55)
Gain / (Loss) on disposal	1,137	13
Total Gain / (Loss) on disposal of assets	1,034	(661)

12. INVESTMENT IN TASWATER

Council accounts for its ownership interest in the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The investment has been classified as an “available-for-sale financial asset”. Council derives investment returns in the form of dividends, guarantee fees and tax equivalents.

At 30 June 2018, the fair value of the asset was measured by applying Council’s equity voting proportion (10.39%) to TasWater’s net asset value at that date. TasWater advised that this net asset value was \$1.606 million.

The following table summarises the movements in the value of Council’s investment in TasWater: -

	2017-18 \$'000	2016-17 \$'000
Opening Balance	164,686	163,612
Fair value adjustment	2,137	1,074
Closing Balance	166,823	164,686

Fair value adjustments have been recognised in other comprehensive income.

On 1 May 2018 TasWater and the State Government announced a memorandum of understanding under which the State Government will inject \$20 million per year for the next ten years into TasWater and in return will become a shareholder of TasWater. As a shareholder the State Government will not receive any dividend distributions. The partnership provides for a reduction in forecast price increases, accelerated infrastructure upgrades and a joint focus on major projects. As at the date of these financial statements, the owner councils and the State Government were working together on the nature of the future reforms.

13. ASSET REVALUATIONS

	Note	2017-18 \$'000	2016-17 Restated \$'000
<i><u>PP&E Revaluations recognised in other comprehensive income</u></i>			
Land		43,317	43,317
Buildings		(4,365)	2,517
Land Improvements		545	6,673
Infrastructure Plant		38	27
Pipes, Drains and Rivulets		2,431	1,511
Roads and Bridges		4,918	31,150
Other Structures		1,454	943
Net PP&E Revaluation increments	21,37	48,338	86,138

The Land and Net PP&E Revaluation increments line items for 2016/17 have been restated due to a prior period error (see note 2c).

14. RATES RECEIVED IN ADVANCE

	Note	2017-18 \$'000	2016-17 \$'000
Rates recognised as revenues during the reporting period which were obtained in respect of future rating periods		724	863
Rates recognised as revenues in a previous reporting period which were obtained in respect of the current reporting period.		(863)	(609)
Net increase (decrease) in prepaid rates		(139)	254

15. RESTRICTED ASSETS

a) Grants and Donations subject to Conditions

Assets derived from grants and donations which were obtained on the condition that they be expended in a particular manner but had yet to be applied in that manner as at the reporting date were in respect of:

- Contributions in lieu of Parking		135	135
- Contributions in lieu of Public Open Space		48	235
- Roadworks		-	913
- Bridge of Remembrance		5,369	5,636
- Miscellaneous		19	8
	10(c)	5,571	6,927

b) Heritage Account

Assets acquired as a result of the winding-up of the National Trust Preservation Fund which are required by section 5(3) of the *National Trust Preservation Fund (Winding-up) Act 1999* to be applied for the provision of financial or other assistance in relation to an entry in either the National Trust Register or the Tasmanian Heritage Register.

	1(m)	1,553	1,500
Total Restricted Assets	16(b)	7,124	8,427

16. CASH

	Note	2017-18 \$'000	2016-17 \$'000
a) Definition of Cash			
For the purpose of the Statement of Cash Flows, the following items comprise the cash balance at the end of the period: -			
Term Deposits		11,500	21,300
At Call		18,106	7,838
		<u>29,606</u>	<u>29,138</u>
Cash Advances		57	63
Cash at Bank		2,181	3,850
		<u>31,844</u>	<u>33,051</u>
b) Composition of Cash			
The following restrictions apply to the closing cash balance :			
- Provision of Public Open Space		48	235
- Provision of Parking Facilities		135	135
- Roadworks		-	913
- Bridge of Remembrance		5,369	5,636
- Heritage Funding		1,553	1,500
- Other		19	8
	15	<u>7,124</u>	<u>8,427</u>
The remainder of the Cash balance has been ear-marked for :			
- Asset Replacement		8,041	3,198
- Other Capital Works		6,953	11,416
- Provision of Public Open Space		16	16
- Bushland Acquisition		208	398
- Public Infrastructure Fund		2,791	3,619
- McRobies Gully Landfill Rehabilitation		3,637	3,063
- Queens Domain Facility upgrades		912	633
- Refundable Deposits		2,162	2,281
		<u>24,720</u>	<u>24,624</u>
		<u>31,844</u>	<u>33,051</u>

17. INVENTORIES

The Doone Kennedy Hobart Aquatic Centre	31	44
McRobies Gully - construction materials	40	33
Salamanca Market	96	100
Tasmanian Travel & Information Centre	56	54
Other	135	156
	<u>358</u>	<u>387</u>

18. FINANCIAL INSTRUMENTS

Council's principal financial instruments comprise receivables, payables, loans, cash and short-term deposits. The main risks arising from these financial instruments are credit risk, interest rate risk and liquidity risk.

Council uses a variety of methods to measure and manage the various types of risk to which it is exposed, and these are outlined below.

a) Credit Risk

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

Council does not hold any credit derivatives to offset its credit risk exposure.

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

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation. These procedures are currently limited to customers of the McRobies Gully Waste Management Centre. Credit risk limits are set for each individual customer and these limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

There are no significant concentrations of credit risk and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

In relation to amounts owed to Council in respect of unpaid rates, there is generally no credit risk as section 137 of the *Local Government Act 1993* empowers Councils to sell properties as a means of recovering rates outstanding.

b) Interest Rate Risk

Exposure to interest rate risk arises predominantly from assets and liabilities bearing variable interest rates, as Council intends to hold fixed rate assets and liabilities to maturity. Council monitors both its level of exposure to interest rate risk, and assessments of market forecasts for future interest rates.

Council's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

2017-18	Floating Interest Rate \$'000	Fixed Interest Maturing in :			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets							
Cash and cash equivalents	20,287	11,500	-	-	57	31,844	2.03%
Investment in TasWater	-	-	-	-	166,823	166,823	
Receivables	1,197	-	-	-	5,998	7,195	0.88%
	21,484	11,500	-	-	172,878	205,862	
Weighted Average Interest Rate	2.11%	2.60%	0.00%	0.00%			
Financial Liabilities							
Bank Overdraft	-	-	-	-	-	-	0.00%
Payables	-	-	-	-	10,818	10,818	
Trust, Deposits, Retention	-	-	-	-	3,128	3,128	
Loans	-	2,070	7,392	10,749	-	20,211	4.82%
	-	2,070	7,392	10,749	13,946	34,157	
Weighted Average Interest Rate	0.00%	5.06%	4.87%	4.74%			
Net Financial Assets / (Liabilities)	21,484	9,430	(7,392)	(10,749)	158,932	171,705	

2016-17	Floating Interest Rate \$'000	Fixed Interest Maturing in :			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets							
Cash and cash equivalents	11,688	21,300	-	-	63	33,051	2.29%
Investment in TasWater	-	-	-	-	164,686	164,686	
Receivables	1,046	26	-	-	4,952	6,024	0.86%
	12,734	21,326	-	-	169,701	203,761	
Weighted Average Interest Rate	2.51%	2.49%	0.00%	0.00%			
Financial Liabilities							
Bank Overdraft	-	-	-	-	-	-	0.00%
Payables	-	-	-	-	8,922	8,922	
Trust, Deposits, Retention	-	-	-	-	3,215	3,215	
Loans	-	1,482	6,020	4,191	-	11,693	5.58%
	-	1,482	6,020	4,191	12,137	23,830	
Weighted Average Interest Rate	0.00%	5.39%	5.28%	6.07%			
Net Financial Assets / (Liabilities)	12,734	19,844	(6,020)	(4,191)	157,564	179,931	

Changes in variable rates of 100 basis points at the reporting date would have the following effect on Council's profit or loss and equity: -

	30 June 2018		30 June 2017	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
<i>Financial Assets</i>				
Cash Advances	na	na	na	na
Other Cash and Cash Equivalents	202	(202)	58	(58)
Investment in TasWater	na	na	na	na
Receivables	12	(12)	10	(10)
	214	(214)	68	(68)
<i>Financial Liabilities</i>				
Payables	na	na	na	na
Loans	na	na	na	na
	-	-	-	-

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 30 June 2017.

c) Liquidity Risk

Liquidity risk is monitored through the development of rolling cash flow forecasts. Council's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term investments, bank overdrafts and loans.

Council monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. The table below shows the contractual maturities for financial liabilities.

2017-18	6 mths or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000	Total \$'000	Carrying Amount \$'000
Trade and other payables	10,818	-	-	-	-	10,818	10,818
Trust funds and deposits	1,240	-	410	240	1,238	3,128	3,128
Interest-bearing loans and borrowings	1,024	1,046	2,160	5,232	10,749	20,211	20,211
Total financial liabilities	13,082	1,046	2,570	5,472	11,987	34,157	34,157

2016-17	6 mths or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	> 5 years \$'000	Total \$'000	Carrying Amount \$'000
Trade and other payables	8,922	-	-	-	-	8,922	8,922
Trust funds and deposits	1,263	295	437	219	1,001	3,215	3,215
Interest-bearing loans and borrowings	731	751	1,563	4,457	4,191	11,693	11,693
Total financial liabilities	10,916	1,046	2,000	4,676	5,192	23,830	23,830

d) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk properties.

The carrying amounts and net fair values of financial assets and liabilities at the reporting date are as follows: -

	2017-18		2016-17	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<i>Financial Assets</i>				
Cash Advances	57	57	63	63
Cash at Bank and Investments	31,787	31,787	32,988	32,988
Investment in TasWater	166,823	166,823	164,686	164,686
Receivables	7,195	7,195	6,024	6,024
	205,862	205,862	203,761	203,761
<i>Financial Liabilities</i>				
Payables	10,818	10,818	8,922	8,922
Loans	20,211	21,701	11,693	13,334
	31,029	32,519	20,615	22,256

None of the above assets and liabilities are readily traded on organised markets in standardised form.

e) Fair Value hierarchy

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

The different levels have been defined as follows: -

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017-18				
Available for sale financial assets	-	-	166,823	166,823
Financial assets at fair value through profit or loss	-	248	-	248
	-	248	166,823	167,071
2016-17				
Available for sale financial assets	-	-	164,686	164,686
Financial assets at fair value through profit or loss	-	236	-	236
	-	236	164,686	164,922

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

Reconciliation of level 3 fair value movements

	2017-18 \$'000	2016-17 \$'000
Opening Balance	164,686	163,612
Gains / (Losses) recognised in profit or loss	-	-
Gains / (Losses) recognised in other comprehensive income	2,137	1,074
Transfers into / (out of) level 3	-	-
Closing Balance	166,823	164,686

19. RECEIVABLES

	2017-18 \$'000	2016-17 \$'000
Rates	1,245	1,101
Parking Fines	8,128	7,776
Trade Receivables	1,159	737
Accrued interest on investments	76	73
Wages and salaries paid in advance	87	93
GST Receivable	1,166	822
Other Debtors	169	305
	12,030	10,907
Less Allowance for Impairment	(4,835)	(4,883)
	7,195	6,024
Current	7,147	5,834
Non-Current	48	190
	7,195	6,024

At 30 June the ageing analysis of receivables is as follows: -

Trade Receivables

	Total \$'000	0-29 days \$'000	0-29 days \$'000 CI*	30-59 days \$'000 PDNI*	30-59 days \$'000 CI*	60-89 days \$'000 PDNI*	60-89 days \$'000 CI*	90+ days \$'000 PDNI*	90+ days \$'000 CI*
2018	1,159	889	-	139	-	66	-	19	46
2017	737	535	-	66	-	54	-	66	16

Parking Fines

	Total \$'000	<u>Parking Meter and Voucher</u>			<u>Traffic Infringements</u>		
		0-14 days \$'000	14+ days \$'000 PDNI*	14+ days \$'000 CI*	0-28 days \$'000	28+ days \$'000 PDNI*	28+ days \$'000 CI*
2018	8,128	102	2,700	3,552	84	714	976
2017	7,776	102	2,381	3,564	81	679	969

Rates

	Total \$'000	90+ days \$'000 PDNI*
2018	1,245	1,245
2017	1,101	1,101

* PDNI - past due not impaired
CI - considered impaired

20. ASSETS CLASSIFIED AS HELD FOR SALE

The following assets were classified as 'held for sale' at the reporting date: -

	2017-18 \$'000	2016-17 \$'000
Land	-	930
	<u>-</u>	<u>930</u>

21. PROPERTY, PLANT AND EQUIPMENT

	Note	Carrying Amount 30/6/2017 \$'000	Additions \$'000	Transfer to Non- current Assets \$'000	Disposals \$'000	Net Revaluation/ Indexation Adjustments \$'000	Depreciation \$'000	Other Movements \$'000	Carrying Amount 30/6/2018 \$'000
Plant and Equipment	22	19,092	4,060	-	(1,295)	-	(3,137)	117	18,837
Land	23	908,352	2,637	153	(402)	43,317	-	-	954,057
Buildings	23	147,074	178	2,368	(141)	(4,365)	(2,284)	(49)	142,781
Land Improvements	24	23,862	5	1,569	(557)	545	(1,064)	3	24,363
Infrastructure Plant	25	2,017	1,515	15	(29)	38	(410)	29	3,175
Pipes, Drains and Rivulets	26	104,499	990	1,136	(63)	2,431	(1,730)	1	107,264
Roads and Bridges	27	211,741	1,908	7,249	(668)	4,918	(8,314)	-	216,834
Other Structures	28	68,428	382	1,870	(708)	1,454	(3,410)	(70)	67,946
Capital Work in Progress	29	45,189	36,681	(14,360)	-	-	-	(99)	67,411
Other	30	920	40	-	-	-	(12)	-	948
		1,531,174	48,396	-	(3,863)	48,338	(20,361)	(68)	1,603,616

	Note	Carrying Amount 30/6/2016 \$'000	Additions \$'000	Transfer to Non- current Assets \$'000	Disposals \$'000	Net Revaluation/ Indexation Adjustments (Restated) \$'000	Depreciation \$'000	Other Movements \$'000	Carrying Amount 30/6/2017 (Restated) \$'000
Plant and Equipment	22	18,463	4,928	-	(1,372)	-	(2,927)	-	19,092
Land	23	863,718	1,037	-	(55)	43,317	-	335	908,352
Buildings	23	146,248	107	381	-	2,517	(2,250)	71	147,074
Land Improvements	24	18,672	-	350	(818)	6,673	(1,015)	-	23,862
Infrastructure Plant	25	2,116	78	136	(29)	27	(311)	-	2,017
Pipes, Drains and Rivulets	26	103,731	458	1,174	(48)	1,511	(1,674)	(653)	104,499
Roads and Bridges	27	178,274	530	10,766	(960)	31,150	(7,656)	(363)	211,741
Other Structures	28	66,121	711	3,953	(372)	943	(3,383)	455	68,428
Capital Work in Progress	29	35,964	25,985	(16,760)	-	-	-	-	45,189
Other	30	912	20	-	-	-	(12)	-	920
		1,434,219	33,854	-	(3,654)	86,138	(19,228)	(155)	1,531,174

Other Movements predominantly represents the transfer of Land assets to Assets Held for Sale, and replacement of assets associated with the Liverpool Street and Franklin Square refurbishments.

The Land line item for 2016/17, under the Net Revaluation/Indexation Adjustments and Carrying Amount 30/6/2017 columns, have been restated due to a prior period error (see note 2c).

22. PLANT AND EQUIPMENT

	2017-18 \$'000	2016-17 \$'000
At Cost	37,245	35,545
<u>less : Impairment Losses</u>	-	(1)
<u>less : Accumulated Depreciation</u>	(18,408)	(16,452)
	18,837	19,092

23. LAND AND BUILDINGS

	2017-18 \$'000	2016-17 Restated \$'000
Land		
At Cost	1,088	
At Valuer-General's market valuation - 2015 indexed to March 2018	952,969	
At Cost		430
At Valuer-General's market valuation - 2015		907,922
	954,057	908,352
Buildings		
At fair value - 2018	235,442	-
At fair value - 2017	-	40,070
At fair value - 2015 indexed to 31 March 2017	-	7,936
At fair value - 2014 indexed to 31 March 2017	-	180,830
	235,442	228,836
<u>less : Impairment Losses</u>	-	-
<u>less : Accumulated Depreciation</u>	(92,661)	(81,762)
	142,781	147,074
	1,096,838	1,055,426

The Land At Cost, Land At Valuer-General's market valuation – 2015 and Total line items for 2016/17 have been restated due to a prior period error (see note 2c).

24. LAND IMPROVEMENTS

	2017-18 \$'000	2016-17 \$'000
At fair value - 2018	1,571	-
At fair value - 2017 indexed to 31 March 2018	48,601	-
At fair value - 2017	-	48,896
	50,172	48,896
<u>less : Accumulated Depreciation</u>	(25,809)	(25,034)
	24,363	23,862

25. INFRASTRUCTURE PLANT

	2017-18 \$'000	2016-17 \$'000
At fair value - 2018	1,743	-
At fair value - 2016 indexed to 31 March 2018	5,731	-
At fair value - 2016 indexed to 31 March 2017	-	5,810
	<u>7,474</u>	<u>5,810</u>
<u>less : Accumulated Depreciation</u>	<u>(4,299)</u>	<u>(3,793)</u>
	<u>3,175</u>	<u>2,017</u>

26. PIPES, DRAINS AND RIVULETS

At fair value - 2018	4,400	
At fair value - 2015 indexed to 31 March 2018	188,877	
At fair value - 2017		2,274
At fair value - 2015 indexed to 31 March 2017	-	184,610
	<u>193,277</u>	<u>186,884</u>
<u>less : Accumulated Depreciation</u>	<u>(86,013)</u>	<u>(82,385)</u>
	<u>107,264</u>	<u>104,499</u>

27. ROADS AND BRIDGES

At fair value - 2018	9,115	-
At fair value - 2017 indexed to 31 March 2018	474,948	-
At fair value - 2017	-	465,511
	<u>484,063</u>	<u>465,511</u>
<u>less : Accumulated Depreciation</u>	<u>(267,229)</u>	<u>(253,770)</u>
	<u>216,834</u>	<u>211,741</u>

28. OTHER STRUCTURES

At fair value - 2017 indexed to 31 March 2018	7,080	
At fair value - 2016 indexed to 31 March 2018	132,296	
At fair value - 2017		4,907
At fair value - 2016 indexed to 31 March 2017	-	131,190
	<u>139,376</u>	<u>136,097</u>
<u>less : Accumulated Depreciation</u>	<u>(71,430)</u>	<u>(67,669)</u>
	<u>67,946</u>	<u>68,428</u>

Council also controls a number of monuments. These assets have not been included in the Statement of Financial Position on the basis that they cannot be reliably measured.

29. CAPITAL WORK IN PROGRESS

	2017-18 \$'000	2016-17 \$'000
Road and Bridge Works	10,815	8,385
Sandy Bay Road Cycleway	1,226	1,223
Wilson Street Works	838	-
Mellifont Street Works	806	-
Footpath, Kerb and Gutter Works	2,826	1,465
Traffic Management Works	2,924	3,221
Sandy Bay Retail Precinct Upgrade	2,823	1,850
Lenah Valley Precinct Upgrade	1,973	-
Stormwater Mains	1,838	1,462
Railway Fountain Restoration	446	446
Parks and Gardens Works	4,136	5,057
Franklin Square Pavement	2,203	2,203
Soldiers Memorial Oval - Playscape incl Amphitheatre	1,328	-
TCA HC Smith Stand - Toilet Renewal	621	-
Salamanca Public Conveniences	649	649
Solar Array Installations on Council Buildings	570	433
City Hall Refurbishment	536	429
Sporting Facility Works	3,707	3,524
Domain Athletics Centre track replacement	-	611
Sandown Park Pavilion - Change Rooms Refurbishment	348	-
Buckingham Bowls Club Wall Replacement	426	-
The Doone Kennedy Hobart Aquatic Centre Upgrades	2,464	1,568
Car Parks - Energy Efficient Lighting	281	471
Core Business Systems Upgrade	3,061	1,126
Valuation Roll	548	548
Ancanthe Park Master Plan	689	577
Great Short Walks - Wellington Park Tracks	1,833	-
Queens Domain Joggers Loop Upgrade	385	-
The Springs Infrastructure Upgrade	664	-
Bushland and Reserves Works	1,871	2,503
Argyle Street Sprinklers	436	-
City Wayfinding System	514	514
Franklin Square Bus Shelter Renewal	369	329
McRobies Gully Waste Management Centre	581	393
Kemp Street Works	991	-
Salamanca Pedestrian Works	868	-
Pedestrian and Cyclist High Level Crossing Over Brooker Ave	1,174	347
Bridge of Remembrance	2,316	414
Carnegie Gallery	361	361
Litter Bin and Wheelie Bin Renewals	356	362
Other	6,610	4,718
	67,411	45,189

30. OTHER PROPERTY, PLANT AND EQUIPMENT

	2017-18 \$'000	2016-17 \$'000
Valuation Roll		
At Cost	469	469
<u>less : Accumulated Depreciation</u>	<u>(444)</u>	<u>(432)</u>
	25	37
Valuables		
At Cost	258	218
At independent valuation of market value - 2014	665	665
	923	883
	948	920

31. PAYABLES

Trade Creditors	2,998	2,098
Accrued plant and equipment purchases	187	330
Accrued property purchases	-	100
Accrued capital expenditure	2,067	2,057
GST payable	586	466
Energy Costs	195	216
Payroll Tax	1,169	1,235
Workers Compensation Insurance	351	210
Fringe Benefits Tax	96	79
Other Accrued Expenses	3,169	2,131
	10,818	8,922

32. TRUST, DEPOSITS, RETENTION

Refundable Infrastructure Bonds	2,073	2,179
Deposits held for Travel Operators	681	706
Contract Retention monies	304	180
Other	70	150
	3,128	3,215

33. EMPLOYEE BENEFITS

	2017-18 \$'000	2016-17 \$'000
<u>Assets</u>		
Defined-benefit superannuation plan	4,065	545
	4,065	545
Current	-	-
Non-Current	4,065	545
	4,065	545
<u>Liabilities</u>		
Wages and salaries	1,811	1,797
Annual leave (including loading)	3,712	3,489
Long service leave	5,679	5,366
Sick leave	2,430	2,356
Superannuation contributions	1,431	1,385
Redundancies	136	-
	15,199	14,393
Current	12,391	11,769
Non-Current	2,808	2,624
	15,199	14,393

Superannuation

Council makes the following defined-contributions to superannuation: -

- 10.5% of wages and salaries for casual employees,
- 12.5% of wages and salaries for full-time and part-time employees who commenced after 11 March 2003, and
- 4.5% of wages and salaries for full-time and part-time employees who commenced prior to 11 March 2003.

In respect of those full-time and part-time employees who commenced employment with Council prior to 11 March 2003, Council also contributes to a defined-benefit superannuation plan. From 1 July 2014, the level of contribution was set at 9.5%. Employee contributions are 6% of wages and salaries. Employees are entitled to benefits on resignation, retirement, disability or death. The fund provides a defined-benefit based on years of service and final average salary.

An actuarial assessment of the fund was carried out by Mr. David Quinn-Watson, FIAA of DeeDeeRa Actuaries Pty Ltd for the purpose of providing figures in accordance with AASB 119 *Employee Benefits*. An assessment report was received on 8 August 2018 and this revealed the following:

<u>Key assumptions</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
Discount Rate – gross of tax	2.60%	2.30%
Discount Rate – net of tax	n/a	n/a
Expected rates of salary increase: -		
2017/18 to 2019/20	2.40%	2.40%
thereafter	2.40%	2.40%

The amount included in expenses is as follows: -

	2017-18 \$'000	2016-17 \$'000
Employee Costs		
- Current Service Cost	1,401	1,546
Finance Costs		
- Interest Cost	872	706
- Expected return on plan assets	(900)	(664)
	(28)	42
	1,373	1,588

Actuarial gains and losses recognised in respect of the defined-benefit plan were as follows: -

Actuarial (gains) / losses incurred during the period and recognised in other comprehensive income	(3,980)	(4,761)
Cumulative actuarial (gains) / losses recognised in other comprehensive income	797	4,777

The amount included in the Statement of Financial Position arising from Council's obligation in respect of its defined-benefit plan is as follows: -

Present value of defined-benefit obligation	35,119	39,991
Fair value of plan assets	(39,184)	(40,536)
Net liability / (asset) arising from defined-benefit plan	(4,065)	(545)

Movements in the net liability / (asset) were as follows: -

Opening liability/(asset)	(545)	3,540
Expense recognised in surplus/(deficit)	1,373	1,588
Actuarial (gains)/losses	(3,980)	(4,761)
Employer contributions	(913)	(912)
Closing liability/(asset)	(4,065)	(545)

Movements in the present value of the defined-benefit obligation were as follows: -

	2017-18 \$'000	2016-17 \$'000
Opening defined-benefit obligation	39,991	42,272
Current Service Cost	1,401	1,546
Interest Cost	872	706
Member contributions and transfers from other funds	638	638
Actuarial (gains) / losses	(3,439)	(764)
Benefits and tax paid	(4,344)	(4,407)
Closing defined-benefit obligation	<u>35,119</u>	<u>39,991</u>

Movements in the fair value of the plan assets were as follows: -

Opening fair value of plan assets	40,536	38,732
Expected return on plan assets	900	664
Actuarial gains / (losses)	541	3,997
Employer contributions	912	912
Member contributions and transfers from other funds	639	638
Benefits paid	(4,344)	(4,407)
Closing fair value of plan assets	<u>39,184</u>	<u>40,536</u>

Changes in the key actuarial assumptions at the reporting date would have the following effect on the net asset arising from the defined-benefit plan: -

	0.25% increase \$'000	0.25% decrease \$'000
Discount rate	469	(495)
Salary increase rate	(460)	438

	2.50% increase \$'000	2.50% decrease \$'000
Asset value	980	(980)

Plan assets are invested in a “balanced” strategy with about three-quarters in “growth” asset classes (e.g. shares and property) and about one-quarter in “defensive” asset classes (e.g. fixed interest and cash). The table below shows the current benchmark (target) and actual asset allocations of fund assets (as advised by the Scheme administrators):

	Strategic Allocation %	as at 30 June 2018 %	as at 30 June 2017 %
Australian shares	33.0	35.7	30.5
International shares	27.0	23.9	27.2
Property	0.8	0.9	11.0
Fixed interest	11.5	11.4	6.7
Private Equity	10.0	10.7	0.8
Infrastructure	10.2	10.1	10.1
Alternative Assets	4.4	4.2	6.6
Cash	3.1	3.2	7.1
Total	100	100	100

34. UNEARNED REVENUE

	2017-18 \$'000	2016-17 \$'000
Doone Kennedy Hobart Aquatic Centre memberships paid in advance	153	182
Salamanca Market rentals paid in advance	182	52
Animal Licences paid in advance	51	85
Food Premises registration fees paid in advance	197	205
Metered Space Permits	-	20
Other	224	63
	807	607

35. LOANS

Loans outstanding at beginning of year	11,693	13,097
New borrowings	10,000	-
	21,693	13,097
Redemptions	(1,482)	(1,404)
Loans outstanding at end of year	20,211	11,693
Current	2,070	1,482
Non-Current	18,141	10,211
	20,211	11,693

All loans are secured by Council revenues. Repayments are made semi-annually in arrears, and interest expense is accrued at the contracted rate and included in payables.

36. PROVISIONS

	2017-18 \$'000	2016-17 \$'000
<i>Rehabilitation of Landfill site</i>		
Balance at beginning of year	5,401	5,498
Additional provisions recognised	(190)	986
Expenditure incurred	(684)	(1,205)
Unwinding of discount and effect of changes in the discount rate	123	122
Balance at end of year	4,650	5,401
Current	603	792
Non-Current	4,047	4,609
	4,650	5,401

The landfill site rehabilitation has been more correctly split between current and non-current in this period. The 2016/17 comparatives have also been restated.

37. RESERVES

	Note	Balance 30/6/17 Restated \$'000	Transfers to Reserves \$'000	Transfers from Reserves \$'000	Balance 30/6/18 \$'000
Asset Replacement		16,342	25,492	(29,444)	12,390
Bushland Fund		398	60	(250)	208
Contributions in Lieu of Parking		135	-	-	135
Contributions in Lieu of Public Open Space		235	63	(250)	48
Heritage Account		1,500	54	-	1,554
		18,610	25,669	(29,944)	14,335
Fair Value Reserve	12	(32,035)	2,137	-	(29,898)
Asset Revaluation Reserve	13	581,868	48,339	-	630,207
		568,443	76,145	(29,944)	614,644

The Asset Revaluation Reserve and Total line items for 2016/17 have been restated due to a prior period error (see note 2c).

Asset Replacement Reserve

Council maintains a reserve for the replacement of its assets. Revenue and loans raised for this purpose are transferred to the reserve, whilst expenditure incurred on replacing existing assets is transferred from the reserve. The balance of the reserve represents expenditure which Council expects to incur in future reporting periods on replacing its assets.

Bushland Fund

Council has established a Bushland Fund and allocated funds from revenue to the reserve. The reserve was established for the purpose of purchasing strategic areas of bushland and open space.

Contributions in Lieu of Parking

Council maintains a reserve to separately account for funds provided to Council for the express purpose of providing parking facilities throughout the city.

Contributions in Lieu of Public Open Space

Council maintains a reserve to separately account for funds provided to Council for the express purpose of providing areas of public open space throughout the city.

Heritage Account

Council has established a Heritage Account as required by the *National Trust Preservation Fund (Winding-up) Act 1999*. Amounts transferred to the account include the initial distribution from the National Trust Preservation Fund, together with interest accruing on the balance of the account.

The Act requires that funds transferred into the Heritage Account be applied for the provision of financial or other assistance in relation to an entry in either the National Trust Register kept by the National Trust of Australia (Tasmania), or the Tasmanian Heritage Register.

Fair Value Reserve

Council maintains a fair value reserve in order to account for gains and losses on available-for-sale financial assets as required by AASB 139 *Financial Instruments: Recognition and Measurement*.

Asset Revaluation Reserve

Council maintains an asset revaluation reserve in order to account for asset revaluation increments and decrements in accordance with AASB 116 *Property, Plant and Equipment*.

38. RECONCILIATION OF ACCRUAL-BASED RESULTS WITH CASH FLOWS

	2017/18 (\$'000)			2016/17 (\$'000)		
	Operating Activities	Investing Activities	Total	Operating Activities	Investing Activities	Total
Revenues	138,606			133,387		
Expenses / Expenditure	(126,683)	(43,141)		(124,869)	(32,060)	
Surplus	11,923			8,518		
Items not involving Cash:						
Depreciation and Amortisation	20,361			19,228		
Carrying Value of Assets Sold	2,466			1,338		
Asset Write-offs	2,299			2,315		
Assets received for no consideration	(5,255)			(1,793)		
Re-classification of Revenues						
Capital Grants	(3,502)	3,502	-	(4,016)	4,016	-
Sales of Assets	(3,500)	3,500	-	(677)	677	-
Changes in Operating Assets & Liabilities:						
(Increase) / Decrease in Receivables	(1,171)	-	(1,171)	47	-	47
(Increase) / Decrease in Stock	29	-	29	(40)	-	(40)
(Increase) / Decrease in Prepayments	143	-	143	(411)	-	(411)
Increase / (Decrease) in Payables	2,129	(136)	1,993	(1,101)	791	(310)
Increase / (Decrease) in Employee Benefits	1,266	-	1,266	1,194	-	1,194
Increase / (Decrease) in Unearned Revenue	200	-	200	105	-	105
Increase / (Decrease) in Provisions	(751)	-	(751)	(97)	-	(97)
Increase / (Decrease) in Other Liabilities	(87)	-	(87)	116	-	116
Net Cash Inflow / (Outflow)	26,550	(36,275)		24,726	(26,576)	

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans \$'000
Balance as at 1 July 2017	11,693
Changes from financing cash flows:	
Cash Received	10,000
Cash Repayments	(1,482)
	8,518
Balance as at 30 June 2018	20,211

40. FINANCING FACILITIES

	2017-18 \$'000	2016-17 \$'000
Facility Limit	380	380
Less: Used/committed	(86)	(58)
Un-used credit card facilities	294	322

41. COMMITMENTS

<i>Capital Expenditure contracted for at the reporting date but not recognised in liabilities:</i>	2017-18 \$'000	2016-17 \$'000
Bridge of Remembrance	7,767	217
Brooker Avenue Pedestrian Bridge	5,629	
New Parking Meter Installation	1,396	
Plant and equipment purchases	1,041	350
Casino to Maning Avenue Sea Wall	934	
Kemp Street Project	913	
Crelin St - St George to End - Reconstruction	536	
Mellifont Street - Mount Stuart Road	343	
Mall booth upgrade	177	
Trade Waste Compliance Projects	149	
Olinda Grove Reconstruction	128	
Lord Street Sandy Bay - Regent Street	111	
BMS Renewal to Council Centre	105	
Community Hall toilet upgrades	99	
TCA Ground Picket Fence Replacement	83	
Regent St - Fitzroy (upper) to Fitzroy (lower) - Pedestrian Access	-	506
Buckingham Bowls Club Wall Replacement	-	302
Lord St - Grosvenor to Regent - Partial Reconstruction	-	230
TCA HC Smith Stand - Toilet Renewal	-	224
Great Short Walks - Organ Pipes Track - Chalet to Sawmill	-	155
Mawson Place Cardinal Lights - renewal and upgrade	-	140
Queens Domain Joggers Loop Upgrade	-	139
Christmas Decorations	-	128
The Springs Infrastructure Upgrade	-	123
Sandy Bay Retail Precinct Upgrade Project	-	113
DKHAC Major Refurb & Upgrade Works	-	105
Multi-Storey Car Parks Emergency Management System Renewal	-	105
Salamanca Pedestrian Works	-	103
City Hall Renewal - Major Refurbishment	-	64
Cleary's Gates fire services upgrade	-	53
SMO community hub - design services	-	7
Other	4,370	1,201
	23,781	4,265
Expected timing of these commitments is as follows: -		
Not longer than one year	23,781	4,265
Longer than one year and not longer than two years	-	-
Longer than two years and not longer than five years	-	-
Longer than five years	-	-
	23,781	4,265

42. OPERATING LEASES

	2017-18 \$'000	2016-17 Restated \$'000
<i>a) Operating Lease commitments at the reporting date not recognised in liabilities:</i>		
Not longer than one year	907	947
Longer than one year and not longer than two years	898	897
Longer than two years and not longer than five years	2,693	2,680
Longer than five years	8,976	9,483
	13,474	14,007

Council's operating lease commitments mainly relate to Trafalgar Car Park. The operating lease commitments for 2016/17 have been restated due to a prior period error (see note 2d).

	2017-18 \$'000	2016-17 \$'000
<i>b) Operating Lease receivables at the reporting date not recognised in assets:</i>		
Not longer than one year	694	650
Longer than one year and not longer than two years	523	547
Longer than two years and not longer than five years	1,279	1,251
Longer than five years	369	394
	2,865	2,842

Council's operating lease receivables mainly result from property leases.

43. CONTINGENT LIABILITIES

Council is currently acting as guarantor for the following loans: -

New Town Cricket Club	-	50
Buckingham Bowls Club	50	50
Hockey Tasmania Inc.	1,500	1,500
Southern Tasmanian Netball Association	631	631
Derwent Sailing Squadron	4,100	4,100
	6,281	6,331

Estimates of Council's future maximum obligations for payments pursuant to Development Assistance Deeds are as follows: -

	Note		
Vodafone development	43	1,157	1,279
Myer development	43	2,625	3,500
		3,782	4,779

Payments relating to the Vodafone development are contingent upon the achievement of employee occupancy targets. Payments relating to the Myer development are contingent upon annual gross sales from the Liverpool Street Myer Store reaching agreed thresholds.

44. MAJOR DEVELOPMENT ASSISTANCE POLICY COMMITMENTS

Council has entered into Development Assistance Deeds for the following Major Development Projects.

The Wellington Centre Development

The development agreement with Sultan Holdings Pty Ltd provides for the following: -

- Council contributed certain land to the development, and the developer also contributed land.
- The developer agreed to construct on the aggregated land amongst other things a car park, supermarket, office accommodation and retail shops.
- The development, on completion, was stratum titled to meet the ownership rights of the parties to the development.
- Council received the stratum title to the car park.
- During the construction period, based on suitable evidence of completion of progress work in relation to the car park, Council made progress payments for the car park.
- On completion and issue of stratum titles, Council received the stratum title for the car park. This occurred in October 2013.

On an ongoing basis: -

- Council has fixed the rates applicable to the development at that which applied on the date of the agreement plus CPI (all groups Hobart) for a 10 year period. The benefit is only applicable to the developer while it owns the particular stratum property.
- The value of the benefit for the current period is \$364,309 (prior year: \$360,667).

The Vodafone Development

Council has negotiated a development assistance deed with Alirenste Pty Ltd that provides for the following: -

- That from when the development land is revalued on completion of construction by the Valuer-General for rating purposes, and while Vodafone meets target employee occupancy numbers for the building, Council on receipt of a suitable certificate will provide a grant to the developer for an amount equal to general rates and stormwater removal service rates that relate to the Vodafone tenancy area for that year. There are pro-rata conditions where partial certification occurs.
- This agreement continues until 30 June 2025 unless an event occurs which gives Council the right to terminate the agreement.
- The value of the benefit for the current period is \$137,110 (prior year: \$135,442).

The Myer Development

With respect to this development there are deeds with both the developer (E. Kalis Properties Pty Ltd) and the major tenant (Myer Pty Ltd).

Council has entered into conditional agreements to provide the following grants and benefits to the developer to assist with the redevelopment of the Myer site, located at 98-110 Liverpool Street and 55 Murray Street, Hobart, namely: -

1. Consistent with Council's Major Development Assistance Policy: -
 - a. A cap on rates for a defined period based on the value of the property as at 18 January 2012, limited to CPI increases, and
 - b. The waiving of fees and charges, including tip fees, hoarding fees, parking fees and associated statutory fees.
2. The air rights over the relevant portion of the Hobart Rivulet for a nominal consideration.

The final value of these benefits is not quantifiable until the development is completed and other conditions are determined.

The value of the benefit provided in the current period pursuant to 1.a. above is \$154,416 (prior year: \$9,385) and pursuant to 1.b. \$134,639 (prior year: \$383,731). It is not possible to reliably estimate the value of future assistance.

Myer Deed

The deed with Myer Pty Ltd (Myer) provides for the following: -

- The Council will, in exercise of its power under section 77(1A)(b) of the *Local Government Act 1993*, pay to Myer the following amounts at the following times: -
 - \$1.75 million when Myer commences trading to the public from the Myer Store following full occupation by Myer in the Liverpool Street stage of the Development.
 - \$1.75 million in the month of July after full occupation of the Liverpool Street store, unless full occupation occurs between 1 April and 30 June and construction of the Murray Street stage has not substantially commenced, in which case that amount will be paid on 31 July in the calendar year after the occupation of the Liverpool Street Myer Store.
 - \$0.875 million in each of the first four years starting 1 August after occupation of the Liverpool Street Myer Store in which gross sales for that year are less than an agreed threshold. Any amount is to be paid 28 days after receipt of the Auditor’s Report for the relevant year.
- Under certain circumstances, if Myer ceases to occupy the development then a proportion of total grants paid will be refundable to Council under an agreed formula taking into account the number of years the development has been occupied.

The first \$1.75 million instalment was paid to Myer upon it commencing trading to the public in November 2015. The second \$1.75 million instalment was paid to Myer in July 2016 and accrued into the previous period. The first of the \$0.875 million instalments, for the Myer financial year ended 31 July 2017, has been accrued into the current period and was paid in July 2018.

45. SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the financial year which require disclosure in the financial report.

46. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

	2017-18	2016-17
	\$'000	\$'000
Short-term employee benefits	2,444	2,013
Post-employment benefits	245	194
	2,689	2,207

Key management personnel comprises elected members (Aldermen) and senior executives.

The Lord Mayor, Deputy Lord Mayor and Aldermen of the City of Hobart are entitled to receive allowances as provided under s 340A of the *Local Government Act 1993*. The quantum of the

allowances is set in accordance with regulation 42 of the *Local Government (General) Regulations 2015* and adjusted by the CPI as at 1 November each year.

Employment terms and conditions for senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. Council also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

(b) Transactions with other related parties

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

Nature of transactions	2017-18 \$'000	2016-17 \$'000
Metal Fabrication	4	3
Painting Services	76	109
Promotional Products	6	14
Provision of Grants	9	-
	95	126
Related payables balances at year-end	-	-
Commitments to related parties at year-end	2	-
Related receivables balances at year-end	-	-
Related impairment provisions at year-end	-	-
Related bad and doubtful debts expense for the period	-	-
Contributions to superannuation funds on behalf of employees	5,536	5,309

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

(c) Loans and guarantees to/from related parties

Council has not entered into any loans or guarantees with related parties.

(d) Commitments to/from related parties

Council has not entered into any commitments with related parties.

(e) 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 City. Therefore, on a regular basis, ordinary citizen transactions occur between Council and its related parties. Some examples are: -

- Payment of rates and charges
- Dog registrations
- Attending Council events
- Use of Council facilities
- Parking fees and fines

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

47. MANAGEMENT INDICATORS

(a) Underlying surplus or deficit

	Benchmark	2017-18 \$'000	2016-17 \$'000
Underlying Revenue *		128,787	126,006
<i>less</i> Recurrent expenses		<u>(125,092)</u>	<u>(124,869)</u>
<i>equals</i> Underlying Surplus	> 0	<u>3,695</u>	<u>1,137</u>

* Underlying revenue excludes all capital income (grants received specifically for assets and physical resources received free of charge) and non-recurring income, and includes adjustments for revenue received in advance.

This indicator measures the extent to which expenses are covered by revenues. The benchmark was achieved in the current period.

(b) Underlying surplus ratio

	Benchmark	2017-18 \$'000	2016-17 \$'000
Underlying Surplus		3,695	1,137
<i>divided by</i> Underlying Revenue		128,787	126,006
<i>equals</i> Underlying Surplus ratio	0% - 2%	2.9%	0.9%

This indicator also measures the extent to which expenses are covered by revenues, by comparing the underlying surplus (or deficit) to total revenue. Again, the benchmark was achieved in the current period.

(c) Net financial liabilities

	Benchmark	2017-18 \$'000	2016-17 \$'000
Cash and Cash Equivalents		31,844	33,051
<i>plus</i> Current Receivables		7,147	5,834
<i>less</i> Total Liabilities		<u>(54,813)</u>	<u>(44,231)</u>
<i>equals</i> Net Financial Liabilities	> (\$64M)	<u>(15,822)</u>	<u>(5,346)</u>

This indicator measures Council's net indebtedness (the extent to which Council's liabilities could be met if all liabilities fell due at once). The above result is well within the benchmark range (being 50% of underlying revenue).

(d) Net financial liabilities ratio

		Benchmark	2017-18 \$'000	2016-17 \$'000
	Net Financial Liabilities		(15,822)	(5,346)
<i>divided by</i>	Underlying Revenue		128,787	126,006
<i>equals</i>	Net Financial Liabilities ratio	> -50%	-12.3%	-4.2%

This indicator also measures Council's net indebtedness by comparing net financial liabilities to total revenue. Again, the result is well within the benchmark range.

(e) Asset sustainability ratio

		Benchmark	2017-18 \$'000	2016-17 \$'000
	Asset renewal capital expenditure		27,775	20,534
<i>divided by</i>	Depreciation expense		20,361	19,228
<i>equals</i>	Asset sustainability ratio	100%	136.4%	106.8%

This indicator measures the extent to which assets are being renewed as they wear out. For a relatively young asset portfolio the benchmark may be quite low, whereas for an older asset portfolio the benchmark may be greater than 100%. The above results indicate that Council is sufficiently reinvesting in its assets.

(f) Asset consumption ratio

	Benchmark	2017-18 \$'000	2016-17 \$'000
<i>Plant & Equipment</i>			
		18,837	19,092
<i>divided by</i>		37,245	35,545
<i>equals</i>	Asset consumption ratio	40% - 80%	50.6%
			53.7%
<i>Buildings</i>			
		142,781	147,074
<i>divided by</i>		235,442	228,836
<i>equals</i>	Asset consumption ratio	40% - 80%	60.6%
			64.3%
<i>Land Improvements</i>			
		24,363	23,862
<i>divided by</i>		50,172	48,896
<i>equals</i>	Asset consumption ratio	40% - 80%	48.6%
			48.8%
<i>Infrastructure Plant</i>			
		3,175	2,017
<i>divided by</i>		7,474	5,810
<i>equals</i>	Asset consumption ratio	40% - 80%	42.5%
			34.7%
<i>Pipes, Drains, & Rivulets</i>			
		107,264	104,499
<i>divided by</i>		193,277	186,884
<i>equals</i>	Asset consumption ratio	40% - 80%	55.5%
			55.9%
<i>Roads & Bridges</i>			
		216,834	211,741
<i>divided by</i>		484,063	465,511
<i>equals</i>	Asset consumption ratio	40% - 80%	44.8%
			45.5%
<i>Other Structures</i>			
		67,946	68,428
<i>divided by</i>		139,376	136,097
<i>equals</i>	Asset consumption ratio	40% - 80%	48.8%
			50.3%

This indicator measures the service potential remaining in Council's existing assets. Results are within the benchmark range, and are expected to remain around current levels.

(g) Asset renewal funding ratio

	Benchmark	2017-18 \$'000	2016-17 \$'000
Planned capital renewals		668,520	617,188
<i>divided by</i> Required capital renewals		668,520	617,188
<i>equals</i> Asset renewal funding ratio	100%	100.0%	100.0%

This indicator measures Council's capacity to fund asset renewal requirements by comparing planned funding for asset renewal (as per Council's Long Term Financial Management Plan) with required funding for asset renewal (as per Council's Asset Management Plans).

The above results indicate that Council is presently planning to fund all required asset renewal over the next 20 year period.

48. FAIR VALUE MEASUREMENTS

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

Property and infrastructure

- Land
- Buildings
- Roads, Footpaths and Drainage
- Bridges
- Other infrastructure

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. These comprise 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'.

(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.

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's infrastructure assets, which are of a specialist nature for which there is no active market for identical or similar assets. These assets are valued using a combination of observable and unobservable inputs.

2017-18					
	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>					
Land	23	-	954,057	-	954,057
Buildings	23	102,066	2,732	37,983	142,781
Land Improvements	24	-	-	24,363	24,363
Infrastructure Plant	25	-	-	3,175	3,175
Pipes, Drains and Rivulets	26	-	-	107,264	107,264
Roads and Bridges	27	-	-	216,834	216,834
Other Structures	28	-	-	67,946	67,946
Capital Work in Progress	29	-	-	67,411	67,411
Other	30	-	-	948	948
		102,066	956,789	525,924	1,584,779
<u>Non-recurring fair value measurements</u>					
Assets held for sale	20	-	-	-	-
		-	-	-	-

2016-17					
	Note	Level 1 \$'000	Level 2 Restated \$'000	Level 3 \$'000	Total Restated \$'000
<u>Recurring fair value measurements</u>					
Land	23	-	908,352	-	908,352
Buildings	23	-	-	147,074	147,074
Land Improvements	24	-	-	23,862	23,862
Infrastructure Plant	25	-	-	2,017	2,017
Pipes, Drains and Rivulets	26	-	-	104,499	104,499
Roads and Bridges	27	-	-	211,741	211,741
Other Structures	28	-	-	68,428	68,428
Capital Work in Progress	29	-	-	45,189	45,189
Other	30	-	-	920	920
		-	908,352	603,730	1,512,082
<u>Non-recurring fair value measurements</u>					
Assets held for sale	20	-	930	-	930
		-	930	-	930

The Land and Total line items for 2016/17, under the Level 2 and Total columns, have been restated due to a prior period error (see note 2c).

Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

During the period, buildings valued using market data were transferred from level 3 to level 1, and buildings valued using the income approach were transferred from level 3 to level 2.

(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

Fair values for land were determined by the Valuer-General effective 1 July 2014.

Land under roads is valued by individual roads using the Valuer-General's rate for the property class surrounding the road provided to the Local Government Association of Tasmania in July 2014.

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 costs to sell at the time of reclassification. The fair value of the land was determined using the approach described in the preceding paragraph.

Buildings

Council derives fair value for buildings based on advice received from qualified independent valuers in the form of: -

- Unit replacement cost (rate / m²) for comparable modern equivalent building types applied to the dimensions of the current asset,
- Where there is a market for selected buildings, market value taking into account any heritage listings, and
- Quantity Surveyor estimates of replacement value of selected buildings which have unique characteristics.

Council has received advice from the following licensed Property Valuer and Quantity Surveyor:
-

- Opteon – (Ty Winduss API 63346 and Gavin Lipplegoes API 63838)

Based on the values received against the range of buildings and buildings types under Council's control, the lowest value was used in each case to establish fair value.

The level of accumulated depreciation has been established based on the age of the building in relation to the expected useful life of the structure component of each building. Residual values are not applied to buildings.

Infrastructure assets

All infrastructure assets have been 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.

Council distinguishes significant asset types within its asset register for detailed review and consideration by its Financial Asset Information Review Panel. Significant asset types account for more than 80% of the total value of the asset register, and these are aligned with approximately 60 of the 2,000 asset types identified. The remaining non-significant asset types are either indexed or adjusted separately where evidence is available to support alternative levels of adjustment.

The unit rates (labour and materials) and quantities applied to determine the CRC of a significant asset type were based on a "Brownfield" assumption meaning that the CRC was determined as the full cost of replacement with a modern equivalent asset type considering typical site conditions, restrictions and extent of works. Residual values are not applied to infrastructure assets.

The level of accumulated depreciation for infrastructure assets is determined based (as the default) on the age of the asset and the standard life aligned with the corresponding asset type. A program to adjust the default expiry date when the assets are listed for renewal on the current works program is gradually being implemented.

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

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

Roads and Bridges

Sealed Roads, Footpaths, Kerb and Gutter

Council categorises its road infrastructure by an urban hierarchy classification. Roads are managed in segments which generally extend from intersection to intersection. All road segments are then componentised into formation, pavement, sub-pavement and seal, kerb and channel and footpath (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment.

CRC is based on the component dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc. Against each road component a standard design exists for the modern equivalent asset which details pavement depths, typical widths and other relevant component information to enable pricing, such as location and extent of works.

Unit prices have been obtained from recent tender submissions for construction works in suburban areas against the modern equivalent asset specification. The lowest five of these have been averaged to determine the "suburban unit replacement rate".

For assets not located in suburban areas, location factors have been applied to reflect the increased cost of undertaking works in higher traffic areas. For this purpose, two additional locations have been identified – urban and CBD. For assets in urban locations, a replacement rate equal to two times the suburban unit replacement rate has been adopted. For assets in CBD locations, a replacement rate equal to three times the suburban unit replacement rate has been adopted.

Council has commenced benchmarking unit prices for significant asset types with like service providers as an additional source of information to establish local market expectations to determine the lowest cost.

Bridges

Council does not have a large number of bridges and does not undertake replacement works frequently enough to provide reliable data for estimating actual costs.

Each bridge structure is aligned with a modern equivalent asset type which defines the replacement structure and associated bridge components.

Unit prices have been obtained from independent consultants (Pitt & Sherry) for construction works in rural areas against the modern equivalent asset specification. This “rural unit replacement rate” has then been multiplied by the deck area of each existing bridge located in rural areas to calculate the CRC of those bridges.

For bridges not located in rural areas, location factors provided by Pitt & Sherry have been applied to reflect the increased cost of undertaking works in higher traffic areas. For this purpose, two additional locations were identified – suburban and urban. For assets in suburban locations, a replacement rate equal to 1.2 times the rural unit replacement rate has been adopted. For assets in urban locations, a replacement rate equal to 1.5 times the rural unit replacement rate has been adopted.

In line with Pitt & Sherry’s advice, unit replacement rates have been increased by a further 20 percent, regardless of location, for bridges with abutments higher than three metres to reflect the additional complexity of construction.

Cycleways and Tracks

Council has one cycleway and some one hundred and fifty kilometres of walking tracks. The cycleway is sufficiently similar to a concrete footpath to be able to determine a CRC on that basis. Due to insufficient work being carried out recently on walking tracks, previous unit rates have been indexed and multiplied by track lengths to calculate CRC.

Pipes Drains and Rivulets

Pipes Drains & Rivulets are grouped by stormwater catchment areas and contain all of those pipes, pits, manholes, inlets, outlets and constructed rivulets managing Hobart’s stormwater along with the irrigation systems serving the city parks and the few remaining water and sewer assets relating solely to Council operations.

For stormwater pipes and built rivulets the Current Replacement Cost is based on the asset dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc. For each pipe size and for standard rivulet lining a modern equivalent definition exists for which prices are obtained from both internal and external sources to determine the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. For the irrigation systems and the sewer and water mains the Current Replacement Cost is based on the asset dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc determined by the Asset Manager.

Other Infrastructure

A diverse range of asset types comprise “other infrastructure” including Land Improvements, Infrastructure Plant and Other Structures. Assets are revalued on a cyclic basis with a frequency of between three and five years. Unit rates are reviewed internally with a range of criteria (including recent costs, local knowledge, indexing rates, etc) used as the basis for updating. The CRC for these assets is then calculated as the unit rate multiplied by the asset quantity.

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

(d) Unobservable inputs and sensitivities

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 21 (Property, Plant and Equipment). During the period, there were transfers between level 3 and level 1 and 2, as detailed under the “Transfers between levels of the hierarchy” section above.

(f) Valuation processes

Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is set out in note 1(j).

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

(g) 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 18).

Council's loans are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of loans disclosed in note 18 is provided by each lender (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).

49. SIGNIFICANT BUSINESS ACTIVITIES

Pursuant to section 84(2)(da) of the *Local Government Act 1993*, Council identified ‘Water Supply’ and ‘Sewerage’ as significant business activities. As a result of statewide water and sewerage reforms taking effect on 1 July 2009, Council ceased providing these services on that date.

Council has also identified Off-street Parking, On-street Parking, Doone Kennedy Hobart Aquatic Centre (DKHAC) and the Tasmanian Travel and Information Centre (TTIC) as commercial-like undertakings. Details of each of these are set out below.

Competitive neutrality costs are costs which would have applied to the activity had it not been conducted within the umbrella of government. Therefore, from the local government perspective, such “costs” are notional only and are disclosed for information.

Off-Street Parking

	2017-18	2017-18	2016-17
	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
REVENUES			
User Fees and Charges	9,267	9,002	8,826
Rental Income	427	433	417
	9,694	9,435	9,243
EXPENSES			
Employee Costs	(1,129)	(1,241)	(1,019)
Energy Costs	(171)	(176)	(182)
Materials and Contracts	(2,856)	(2,576)	(2,739)
Depreciation	(918)	(736)	(759)
Bad debts	(1)	-	(2)
Land Tax	(334)	(327)	(339)
Engineering and Administrative Overheads	(813)	(813)	(813)
Other	-	-	(29)
	(6,222)	(5,869)	(5,882)
GAINS / (LOSSES)			
Property, Plant and Equipment sales	1,073	-	(38)
	1,073	-	(38)
OPERATING PROFIT / (LOSS)	4,545	3,566	3,323
COMPETITIVE NEUTRALITY COSTS			
Opportunity Cost of Capital	(5,045)	(5,045)	(5,079)
Income Tax	(1,125)	(856)	(791)
Council Rates	(453)	(452)	(448)
	(6,623)	(6,353)	(6,318)

On-Street Parking

	2017-18	2017-18	2016-17
	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
User Fees and Charges	5,290	5,715	5,345
Fines	6,879	7,719	7,357
	<u>12,169</u>	<u>13,434</u>	<u>12,702</u>
EXPENSES			
Employee Costs	(3,434)	(3,607)	(3,284)
Materials and Contracts	(1,369)	(1,678)	(1,313)
Depreciation	(188)	(195)	(194)
Bad debts	(206)	(350)	(517)
Engineering and Administrative Overheads	(703)	(703)	(703)
Other	(84)	-	-
	<u>(5,984)</u>	<u>(6,533)</u>	<u>(6,011)</u>
GAINS / (LOSSES)			
Plant and Equipment sales	(4)	-	(29)
	<u>(4)</u>	<u>-</u>	<u>(29)</u>
OPERATING PROFIT / (LOSS)	6,181	6,901	6,662
COMPETITIVE NEUTRALITY COSTS			
Opportunity Cost of Capital	(41)	(41)	(50)
Income Tax	(1,854)	(2,070)	(1,999)
	<u>(1,895)</u>	<u>(2,111)</u>	<u>(2,049)</u>

Doone Kennedy Hobart Aquatic Centre

	2017-18	2017-18	2016-17
	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
REVENUES			
User Fees and Charges	5,234	5,252	4,787
Other Income	263	30	273
	<u>5,497</u>	<u>5,282</u>	<u>5,060</u>
EXPENSES			
Employee Costs	(3,217)	(2,973)	(3,165)
Energy Costs	(535)	(553)	(561)
Materials and Contracts	(1,747)	(1,756)	(1,687)
Insurance	(35)	-	(35)
Other	(7)	-	(7)
	<u>(5,541)</u>	<u>(5,282)</u>	<u>(5,455)</u>
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION	(44)	-	(395)
Depreciation	(960)	(887)	(914)
Profit / (Loss) on sale of Plant and Equipment	(31)	-	-
	<u>(991)</u>	<u>(887)</u>	<u>(914)</u>
OPERATING PROFIT / (LOSS)	(1,035)	(887)	(1,309)
COMPETITIVE NEUTRALITY COSTS			
Opportunity Cost of Capital	(1,893)	(1,893)	(1,896)
Council Rates	(75)	(75)	(74)
	<u>(1,968)</u>	<u>(1,968)</u>	<u>(1,970)</u>

Tasmanian Travel and Information Centre

	2017-18	2017-18	2016-17
	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
User Fees and Charges	883	1,026	849
Tasmanian Government Grant	150	150	150
Other Income	49	20	(14)
	<u>1,082</u>	<u>1,196</u>	<u>985</u>
EXPENSES			
Employee Costs	(841)	(996)	(869)
Materials and Contracts	(352)	(283)	(277)
Depreciation	(8)	(9)	(7)
	<u>(1,201)</u>	<u>(1,288)</u>	<u>(1,153)</u>
OPERATING PROFIT / (LOSS)	(119)	(92)	(168)
COMPETITIVE NEUTRALITY COSTS			
Opportunity Cost of Capital	(11)	(11)	(11)
Council Rates	(7)	(7)	(7)
	<u>(18)</u>	<u>(18)</u>	<u>(18)</u>