

City of Launceston

ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2021

Statement of Comprehensive Income For the Year Ended 30 June 2021

| | Note | Budget 2021 | Actual 2021 | Actual 2020 Restated* |
|--|------|----------------|-----------------|-----------------------------|
| | | \$'000 | \$'000 | \$'000 |
| Income from continuing operations | | | | |
| Recurrent income | | | | |
| Rates and charges | 2.1 | 70,938 | 71,777 | 70,611 |
| Statutory fees and fines | 2.2 | 4,107 | 6,324 | 5,043 |
| User fees | 2.3 | 15,998 | 20,188 | 18,424 |
| Grants | 2.4 | 9,277 | 8,473 | 8,518 |
| Contributions - cash | 2.5 | - | 62 | 516 |
| Interest | 2.6 | 738 | 558 | 1,507 |
| Other income | 2.7 | 2,003 | 2,489 | 2,540 |
| Investment revenue | 2.9 | 1,362 | 1,362 | 2,108 |
| | | 104,423 | 111,233 | 109,267 |
| Capital income | | | | |
| Capital grants received specifically for new or upgraded assets | 2.4 | 4,553 | 3,147 | 2,951 |
| Non Government Capital Cash Contributions | 2.5 | - | 302 | 162 |
| Contributions - non-monetary assets | 2.5 | - | 2,496 | 21,412 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 2.8 | (200) | (4,453) | (13,676) |
| | | 4,353 | 1,492 | 10,849 |
| Total income from continuing operations | | 108,776 | 112,725 | 120,116 |
| Expenses from continuing operations | | | | |
| Employee benefits | 3.1 | 44,114 | 42,855 | 43,117 |
| Materials and services | 3.2 | 35,831 | 34,850 | 40,150 |
| Impairment of receivables | 3.3 | 26 | 12 | 12 |
| Depreciation and amortisation | 3.4 | 22,087 | 23,359 | 22,682 |
| Finance costs | 3.5 | 1,233 | 535 | 323 |
| Change in value of Museum collection | 3.6 | - | 34,523 | - |
| Other expenses | 3.7 | 11,975 | 13,394 | 14,510 |
| Total expenses from continuing operations | | 115,266 | 149,528 | 120,794 |
| Result from continuing operations | | (6,490) | (36,803) | (678) |
| Net result for the year | | (6,490) | (36,803) | (678) |
| Other comprehensive income | | | | |
| Items that will not be reclassified subsequently to net result | | | | |
| Fair value adjustments on equity investment assets | 9.1 | - | 16,749 | (63,238) |
| Net asset revaluation increment/(decrement) | 9.1 | - | 52,595 | 48,394 |
| Actuarial gain/loss on defined benefits plans | 6.5 | - | 6,192 | 442 |
| Total Other Comprehensive Income | | - | 75,536 | (14,402) |
| Total Comprehensive result | | (6,490) | 38,733 | (15,080) |

* The comparative figures have been restated to reflect the correction of a prior period error. Refer Note 9.8 for details.

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

Statement of Financial Position
As at 30 June 2021

| | Note | As at 30 June 2021 \$'000 | As at 30 June 2020 Restated* \$'000 | As at 30 June 2019 Restated* \$'000 |
|--|------|---------------------------------|--|--|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 4.1 | 74,830 | 27,270 | 10,329 |
| Trade and other receivables | 4.2 | 5,166 | 8,031 | 8,202 |
| Investments | 4.3 | 10,009 | 33,074 | 61,657 |
| Inventories | 4.4 | 899 | 721 | 718 |
| Non-current assets classified as held for sale | 4.5 | 4,518 | 4,518 | 3,402 |
| Total current assets | | 95,422 | 73,614 | 84,308 |
| Non-current assets | | | | |
| Investments | 5.1 | 225,702 | 208,957 | 272,195 |
| Property, infrastructure, plant and equipment | 6.1 | 1,476,559 | 1,401,770 | 1,336,124 |
| Intangible assets | 6.2 | 4,426 | 5,227 | 5,631 |
| Right-of-use assets | 6.3 | 224 | 259 | - |
| Museum Collection | 6.4 | 203,692 | 252,744 | 249,779 |
| Superannuation Asset | 6.5 | 2,025 | - | - |
| Other assets | 6.6 | 258 | 258 | 258 |
| Total non-current assets | | 1,912,886 | 1,869,215 | 1,863,987 |
| Total assets | | 2,008,308 | 1,942,829 | 1,948,295 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 7.1 | 9,060 | 5,006 | 8,265 |
| Trust funds and deposits | 7.2 | 2,375 | 2,667 | 1,838 |
| Employee Provisions | 7.3 | 7,381 | 7,273 | 7,120 |
| Rehabilitation Provision | 8.2 | 7,920 | - | - |
| Lease liabilities | 7.4 | 29 | 27 | - |
| Contract liabilities | 7.5 | 1,296 | - | - |
| Interest-bearing loans and borrowings | 8.1 | 9,000 | - | - |
| Total current liabilities | | 37,061 | 14,973 | 17,223 |
| Non-current liabilities | | | | |
| Employee Provisions | 7.3 | 1,024 | 943 | 791 |
| Rehabilitation Provision | 8.2 | 11,338 | 14,827 | 10,452 |
| Lease liabilities | 7.4 | 235 | 263 | - |
| Interest-bearing loans and borrowings | 8.1 | 26,000 | 15,000 | 9,000 |
| Superannuation | 6.5 | - | 2,906 | 1,814 |
| Total non-current liabilities | | 38,597 | 33,939 | 22,057 |
| Total liabilities | | 75,658 | 48,912 | 39,280 |
| Net Assets | | 1,932,650 | 1,893,917 | 1,909,015 |
| Equity | | | | |
| Accumulated surplus | | 1,194,397 | 1,225,008 | 1,225,262 |
| Reserves | 9.1 | 738,253 | 668,909 | 683,753 |
| Total Equity | | 1,932,650 | 1,893,917 | 1,909,015 |

* The comparative figures have been restated to reflect the correction of a prior period error. Refer Note 9.8 for details.

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

Statement of Cash Flows

For the Year Ended 30 June 2021

| | Note | 2021 Inflows/ (Outflows) \$'000 | 2020 Inflows/ (Outflows) \$'000 |
|---|------|--|--|
| Cash flows from operating activities | | | |
| Payments | | | |
| Provision of Goods and Services (including GST) | | (78,958) | (92,763) |
| Interest Paid | | (446) | (315) |
| State Government Fire Service Levy | | (8,310) | (8,310) |
| Receipts | | | |
| Rates and Charges | | 69,545 | 67,736 |
| Fees and Charges | | 30,346 | 27,108 |
| Grants and Contributions – Revenue | | 8,535 | 9,033 |
| Interest Received | | 558 | 1,507 |
| Other (including GST) | | 6,247 | 7,982 |
| Net Cash from Operating Activities | 9.2 | 27,517 | 11,979 |
| Cash flows from investing activities | | | |
| Payments | | | |
| Capital Works | | (29,554) | (36,274) |
| Transfers (to) from Investments | | 23,065 | 28,582 |
| Receipts | | | |
| Sale of Assets | | 456 | 1,560 |
| Grants and Contributions – Capital | | 4,745 | 3,019 |
| Investment Revenue | 9.2 | 1,362 | 2,108 |
| Net Cash Used In Investing Activities | | 74 | (1,005) |
| Cash flows from financing activities | | | |
| Payments | | | |
| Loan Repayments | | - | - |
| Lease Repayments | | (33) | (33) |
| Receipts | | | |
| Loan Proceeds | | 20,000 | 6,000 |
| Net Cash From in Financing Activities | 9.2 | 19,967 | 5,967 |
| Net increase (decrease in cash held) | | 47,558 | 16,942 |
| Cash and cash equivalents at 1 July | | 27,271 | 10,330 |
| Cash and cash equivalents at 30 June | | 74,830 | 27,271 |

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

Statement of Changes in Equity
For the Year Ended 30 June 2021

| | | Asset | | | | |
|---|------|------------------------|------------------------|-----------------------|-------------------|------------------|
| | Note | Accumulated Surplus | Revaluation Reserve | Fair Value Reserve | Other Reserves | Total Equity |
| | | 2021 | 2021 | 2021 | 2021 | 2021 |
| | 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the financial year | | 1,225,008 | 713,062 | (44,153) | - | 1,893,917 |
| Net result for the year | | (36,803) | - | - | - | (36,803) |
| Other Comprehensive Income: | | | | | | |
| Fair value adjustments for financial assets at fair value | | | | | | |
| Fair Value adjustment on equity investment assets | 5.1 | - | - | 16,749 | - | 16,749 |
| Net asset revaluation increment/(decrement) | 5.2 | - | 52,595 | - | - | 52,595 |
| Actuarial gain/loss on defined benefits plans | 6.5 | 6,192 | - | - | - | 6,192 |
| Total comprehensive income | | (30,611) | 52,595 | 16,749 | - | 38,733 |
| Transfers between reserves | | - | - | - | - | - |
| Balance at end of the financial year | | 1,194,397 | 765,657 | (27,404) | - | 1,932,650 |
| | | 2020 | 2020 | 2020 | 2020 | 2020 |
| | 2020 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the financial year | | 1,225,262 | 652,707 | 19,085 | - | 1,897,054 |
| Correction of Prior Period Error | 9.8 | | 11,961 | | | 11,961 |
| Restated opening balance | | 1,225,262 | 664,668 | 19,085 | - | 1,909,015 |
| Adoption of AASB 16 | | (18) | | | | (18) |
| Net result for the year | | (678) | - | - | - | (678) |
| Other Comprehensive Income: | | | | | | |
| Fair Value adjustment on equity investment assets | 5.1 | - | - | (63,238) | - | (63,238) |
| Net asset revaluation increment/(decrement) | 9.1 | - | 48,394 | - | - | 48,394 |
| Actuarial gain/loss on defined benefits plans | 6.5 | 442 | - | - | - | 442 |
| Total comprehensive income | | (236) | 48,394 | (63,238) | - | (15,080) |
| Transfers between reserves | | - | - | - | - | - |
| Balance at end of the financial year | | 1,225,008 | 713,062 | (44,153) | - | 1,893,917 |

The above statement should be read with the accompanying notes.

**City of Launceston
Financial Report
Table of Contents**

| FINANCIAL REPORT | | Page |
|--------------------------------------|--|-------------|
| Notes to Financial Statements | | |
| Note 1 | Overview | |
| 1.1 | Reporting entity | 7 |
| 1.2 | Basis of accounting | 7 |
| 1.3 | Use of estimates and judgements | 7 |
| 1.4 | Impact of Covid 19 on financial reporting for 2020-21 | 8 |
| 1.5 | Material budget variations | 9 |
| 1.6 | Functions/Activities of the Council | 12 |
| Note 2 | Revenue | |
| 2.1 | Rates and charges | 15 |
| 2.2 | Statutory fees and fines | 16 |
| 2.3 | User fees | 16 |
| 2.4 | Grants | 17 |
| 2.5 | Contributions | 18 |
| 2.6 | Interest | 19 |
| 2.7 | Other income | 19 |
| 2.8 | Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 20 |
| 2.9 | Investment revenue | 21 |
| Note 3 | Expenses | |
| 3.1 | Employee benefits | 21 |
| 3.2 | Materials and services | 21 |
| 3.3 | Impairment of receivables | 22 |
| 3.4 | Depreciation and amortisation | 22 |
| 3.5 | Finance costs | 24 |
| 3.6 | Change in value of museum collection | 25 |
| 3.7 | Other expenses | 25 |
| Note 4 | Current Assets | |
| 4.1 | Cash and cash equivalents | 26 |
| 4.2 | Trades and other receivables | 26 |
| 4.3 | Investments | 27 |
| 4.4 | Inventories | 27 |
| 4.5 | Assets held for sale | 28 |
| Note 5 | Investments | |
| 5.1 | Investment in water corporation | 28 |
| Note 6 | Non-current assets | |
| 6.1 | Property, infrastructure, plant and equipment | 30 |
| 6.2 | Intangible assets | 36 |
| 6.3 | Right-of-use assets | 37 |
| 6.4 | Queen Victoria Museum and Art Gallery | 38 |
| 6.5 | Superannuation Asset | 39 |
| 6.6 | Other assets | 43 |
| Note 7 | Current liabilities | |
| 7.1 | Trade and other payables | 43 |
| 7.2 | Trust funds and deposits | 43 |
| 7.3 | Employee Provisions | 44 |
| 7.4 | Lease liabilities | 45 |
| 7.5 | Contract liabilities | 46 |

**City of Launceston
Financial Report
Table of Contents**

| | | |
|----------------|---|----|
| Note 8 | Non-current liabilities | |
| 8.1 | Interest bearing loans and borrowings | 47 |
| 8.2 | Rehabilitation Provision | 47 |
| Note 9 | Other financial information | |
| 9.1 | Reserves | 49 |
| 9.2 | Reconciliation of cash flows from operating activities to surplus (deficit) | 52 |
| 9.2 | Reconciliation of liabilities arising from financing activities | 52 |
| 9.2 | Reconciliation of cash and cash equivalents | 52 |
| 9.3 | Commitments | 53 |
| 9.4 | Contingent liabilities and contingent assets | 53 |
| 9.5 | Financial instruments | 54 |
| 9.6 | Fair value measurements | 60 |
| 9.7 | Events occurring after balance date | 66 |
| 9.8 | Prior Period Errors | 66 |
| Note 10 | Other matters | |
| 10.1 | Related party transactions | 68 |
| 10.2 | Special committees and other activities | 70 |
| 10.3 | Interest in other entities | 70 |
| 10.4 | Other significant accounting policies and pending accounting standards | 71 |
| 10.5 | Significant Business Activities | 74 |
| 10.6 | Management indicators | 77 |
| | Certification of the Financial Report | |

Note 1 Overview

1.1 Reporting entity

- (a) The Launceston City Council was established on 30 October 1852 and is a body corporate with perpetual succession and a common seal.
- (b) The function of the Council is to:
- provide for health, safety and welfare of the community;
 - to represent and promote the interests of the community;
 - provide for the peace, order and good government in the municipality.

1.2 Basis of accounting

These financial statements are a general purpose financial report that consists of a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Local Government Act 1993 (LGA1993) (as amended)*. Council has determined that it does not have profit generation as a prime objective.

Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

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

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 4.5, 5.1,6.1, 6.2, 6.3, 6.4 6.5 and 8.2

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and Council have been eliminated in full.

1.3 Use of judgements and estimates

Judgements and Assumptions

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

Note 1 Overview (Continued)

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

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 7.3.

Defined benefit superannuation fund obligations

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 6.5

Fair value of property, infrastructure, plant & equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in note 6.1.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 5.1

Rehabilitation obligations

Assumptions and judgements are utilised in determining the value of Council's obligations to rehabilitate the landfill and clay quarry at the Launceston Waste Centre. These are discussed in note 8.2

1.4 Impact of Covid 19 on Financial Reporting for 2020-21

The COVID-19 pandemic has impacted this financial report, which may be reflected in the comparability of some line items and amounts reported in the statements and/or the notes.

Council significantly altered its budget in light of the pandemic, and pleasingly the bottom line result has been favourable. A reduction for various revenue categories was budgeted for, and budgeted expenses were adjusted to reflect Council's level of assistance provided to the community, which is outlined below.

Council approved an \$8.5m Community Care & Recovery Package in April 2020 in response to the pandemic.

- A freeze on any rates increase, originally planned at 3.9%.
- Six months rate remissions for eligible Commercial and Sport & Recreation rated properties.
- Development of a new Rates and Charges Hardship Policy.

1.4 Impact of Covid 19 on Financial Reporting for 2020-21 cont

- Fee and rent relief for individuals and business relating to Council facilities and services.
- Accelerated Capital Works Programme of \$40m to stimulate the local building, construction and ancillary sectors.
- Community Care and Recovery Grants available to local businesses.
- Events and sponsorship relief.
- Community assistance initiatives including for vulnerable members of the community.

Further details of such impacts are discussed in the following note on material budget variations.

1.5 Material Budget Variation

| | Budget \$'000 | Actual \$'000 | Variance % (positive is favourable) |
|---|------------------|------------------|--|
| Revenue | | | |
| <u>Rates and Charges</u> | 70,938 | 71,777 | 1% |
| Rates revenue was favourable against budget due to higher than anticipated rates growth and supplementary valuations received during the year. | | | |
| <u>Statutory fees and fines</u> | 4,107 | 6,324 | 54% |
| All fees and fines revenue was budgeted in light of Covid-19. This resulted in a decrease in forecast revenue when compared to previous years. Due to the relatively quick recovery from Covid-19 in Tasmania, fees and fines revenue has generally been favourable to budget. The main sources of this favourable variance are planning and building fees which has been driven by a strong building and construction sector. | | | |
| <u>User fees</u> | 15,998 | 20,188 | 26% |
| Council budgeted for a significant decrease in user fees revenue due to Covid-19 and the expectation that several Council facilities would be closed or see a significant reduction in usage. This includes the Launceston Leisure & Aquatic Centre, the Queen Victoria Museum & Art Gallery, Launceston Waste Centre, various sporting and recreation facilities along with Council owned and operated car parks and on-street parking. Tasmania has rebounded faster than anticipated from Covid-19 and Council's User Fees favourable variance is in line with this. | | | |
| <u>Grants - Operational</u> | 9,277 | 8,473 | -9% |
| Council is reimbursed by the Tasmanian Government for any interest expense paid on interest free loans, this is recognised in the form of grant revenue. Council borrowed (interest free) funds later in the year than originally expected, leading to a reduction in this revenue and the corresponding expense. | | | |

1.5 Material Budget Variation

| | Budget \$'000 | Actual \$'000 | Variance % (positive is favourable) |
|-----------------------------|------------------|------------------|--|
| <u>Contributions - cash</u> | - | 62 | 100% |

Cash contributions were not budgeted for.

Various cash contributions were received throughout the year including contributions held by Council for Public Open Spaces, Northern Tasmania Circular Economy payments from neighbouring Councils, NRM North contributions and upgraded facilities at Youngtown Oval.

| | | | |
|-----------------|-----|-----|------|
| <u>Interest</u> | 738 | 558 | -24% |
|-----------------|-----|-----|------|

Interest earned has been affected by historic lows in the Official Cash Rate which was 0.10% after being reduced by 0.15% in November 2020. Council had assumed a steady Official Cash Rate of 0.25% throughout the entire financial year.

| | | | |
|---------------------|-------|-------|-----|
| <u>Other income</u> | 2,003 | 2,489 | 24% |
|---------------------|-------|-------|-----|

Various favourable variances in other income and miscellaneous reimbursements received throughout the year, bad debts recovered and additional rent received for the use of Council owned facilities.

Capital Income

| | | | |
|-----------------------|-------|-------|------|
| <u>Capital Grants</u> | 4,553 | 3,147 | -31% |
|-----------------------|-------|-------|------|

Capital grant income is typically received upon completion of certain milestones. Due to significant sector activity resulting in a shortage of available suppliers in the market, some projects have been delayed until 2021/22 at which point it is expected work will be undertaken and funding received.

| | | | |
|-----------------------------------|---|-------|------|
| <u>Contributions non-monetary</u> | - | 2,496 | 100% |
|-----------------------------------|---|-------|------|

Recognition of assets received by Council throughout the year, which is not budgeted for.

Expenses

| | | | |
|--------------------------|--------|--------|----|
| <u>Employee Benefits</u> | 44,114 | 42,855 | 3% |
|--------------------------|--------|--------|----|

This variance is primarily due to staff vacancies that existed across Council during the year, it should be noted that Council budgets for a fully staffed workforce. Full time equivalents as at 30 June 2021 increased to 460 from 426 as at 30 June 2020, however various vacancies were put on hold in the first half of 2020-21, with many vacancies filled late in the year. A reduction in staff travel and conference registration fees due to Covid-19 restrictions has also impacted this variance.

1.5 Material Budget Variation

| | Budget \$'000 | Actual \$'000 | Variance % (positive is favourable) |
|--|------------------|------------------|--|
| <u>Materials and Services</u> | 35,831 | 34,850 | 3% |
| Savings were made across several expenditure types during the year. These include, but are not limited to; | | | |
| <ul style="list-style-type: none"> - Utilities - gas, water, electricity. - Insurance premiums. - Contributions to community events delayed due to Covid-19. - Fuel savings relating to the use of Council owned major plant equipment. - Sports field maintenance costs, due to lower usage as a result of Covid-19 decreasing the number of events held - Land Tax Covid-19 remissions received. | | | |
| <u>Depreciation</u> | 22,087 | 23,359 | -6% |
| Additional depreciation unbudgeted expense as a result of: | | | |
| <ul style="list-style-type: none"> - Swap of urban road assets with the Department of State Growth added to Council's overall asset value and therefore increased depreciation. - Revaluation leading to an increase in the value of assets at the Launceston Waste Centre. - University of Tasmania Stadium new surface commenced depreciating, and the previous surface assets had a written down value of nil. - Additional depreciation cost of new assets purchased during the year in Fleet, Parks and Information Technology. | | | |
| <u>Finance Costs</u> | 1,233 | 535 | 57% |
| Council is reimbursed by the Tasmanian Government for any interest expense paid on interest free loans, this is recognised in the form of grant revenue. Council borrowed (interest free) funds later in the year than originally expected, leading to a reduction in this expense and the corresponding revenue. | | | |
| <u>Change in museum collection</u> | - | 34,523 | -100% |
| The entire Queen Victoria Museum & Art Galley was subject to a revaluation during the year by an external third party valuer. A change in valuation methodology was applied to Natural Sciences collection from market value to recollection costs, which resulted in a large decrease to the overall value of the collection. | | | |
| Due to the change \$14.7m was taken to the relevant revaluation reserve, which was exhausted, with the remaining \$34.5m being required to be taken to the Statement of Comprehensive Income. | | | |
| <u>Other Expenses</u> | 11,975 | 13,394 | -12% |
| The major variances can be attributed to changes to the provision for rehabilitation of waste cells at the Launceston Waste Centre. | | | |

Note 1.6 - Functions and Activities of the Council

(a) Revenue and Expenses for the reporting year have been directly attributed to the following functions and activities.

| | GENERAL PUBLIC SERVICES \$000 | PUBLIC ORDER & SAFETY \$000 | HEALTH \$000 | WELFARE \$000 | HOUSING & COMMUNITY AMENITIES \$000 | RECREATION & CULTURE \$000 | ROADS & TRAFFIC \$000 | OTHER \$000 | TOTAL 2021 \$000 | BUDGET (unaudited) \$000 |
|--|--|--------------------------------------|-----------------|------------------|--|----------------------------------|--------------------------|----------------|------------------------|--------------------------------|
| REVENUES | | | | | | | | | | |
| Rates and charges | 57,797 | 8,439 | - | - | 5,017 | - | - | 524 | 71,777 | 70,938 |
| Statutory fees and fines | 701 | 258 | 203 | - | 3,104 | - | 2,058 | - | 6,324 | 4,107 |
| User fees | 335 | 1 | 22 | - | 7,825 | 6,387 | 5,577 | 41 | 20,188 | 15,998 |
| Grants | 1,972 | - | - | 190 | 540 | 1,838 | 3,808 | 125 | 8,473 | 9,277 |
| Contributions - cash | - | - | - | - | 43 | 9 | - | 10 | 62 | - |
| Interest | 534 | 14 | - | - | 3 | 7 | - | - | 558 | 738 |
| Other income | 52 | 23 | - | 4 | 302 | 2,082 | 14 | 12 | 2,489 | 2,003 |
| Investment revenue | 1,362 | - | - | - | - | - | - | - | 1,362 | 1,362 |
| | 62,753 | 8,735 | 225 | 194 | 16,834 | 10,323 | 11,457 | 712 | 111,233 | 104,423 |
| EXPENSES | | | | | | | | | | |
| Employee Costs (net of capitalised) | 13,401 | 364 | 1,043 | 801 | 7,650 | 13,115 | 3,500 | 2,981 | 42,855 | 44,114 |
| Materials and Services | 1,140 | 324 | 52 | 529 | 13,734 | 12,271 | 4,523 | 2,277 | 34,850 | 35,831 |
| Impairment of Debts | - | - | 2 | - | - | 2 | 8 | - | 12 | 26 |
| Depreciation and Amortisation | 2,735 | 14 | - | - | 3,747 | 6,160 | 10,667 | 36 | 23,359 | 22,087 |
| Finance Costs | 446 | - | - | - | 82 | - | - | 7 | 535 | 1,233 |
| Change in Asset Values | - | - | - | - | - | 34,523 | - | - | 34,523 | - |
| Other Expenses | 3,694 | 8,315 | 88 | - | 813 | 356 | 13 | 115 | 13,394 | 11,975 |
| | 21,416 | 9,017 | 1,185 | 1,330 | 26,026 | 66,427 | 18,711 | 5,416 | 149,528 | 115,266 |
| Full Cost Attribution | (2,121) | 86 | 150 | 73 | (221) | 1,102 | 746 | 185 | - | - |
| Competitive Neutrality | (560) | - | - | - | 77 | 335 | 148 | - | - | - |
| | 18,735 | 9,103 | 1,335 | 1,403 | 25,882 | 67,864 | 19,605 | 5,601 | 149,528 | 115,266 |
| Surplus (Deficit) from Operations | 44,018 | (368) | (1,110) | (1,209) | (9,048) | (57,541) | (8,148) | (4,889) | (38,295) | (10,843) |
| Capital Grants and Infrastructure Adjustments | | | | | | | | | | |
| Capital grants received specifically for new or upgraded assets | - | - | - | - | - | 594 | 2,003 | 550 | 3,147 | 4,553 |
| Non Government Capital Cash Contributions | - | - | - | - | - | 110 | - | 192 | 302 | - |
| Contributions - non-monetary assets | - | - | - | - | 1,276 | 115 | 1,105 | - | 2,496 | - |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | (43) | 1 | 3 | (2) | (536) | (1,726) | (2,150) | - | (4,453) | (200) |
| Surplus (Deficit) Before Other Comprehensive Income | 43,975 | (367) | (1,107) | (1,211) | (8,308) | (58,448) | (7,190) | (4,147) | (36,803) | (6,490) |
| Infrastructure Assets | 193,535 | 1,233 | - | 1,346 | 299,287 | 330,471 | 650,457 | 233 | 1,476,562 | - |
| Other Assets | 327,796 | - | - | - | - | 203,692 | - | 258 | 531,746 | - |
| Total Assets | 521,331 | 1,233 | - | 1,346 | 299,287 | 534,163 | 650,457 | 491 | 2,008,308 | - |

Note 1.6 - FUNCTIONS AND ACTIVITIES OF COUNCIL (Cont)

(b) Comparative figures for prior year (2020)

| | GENERAL PUBLIC SERVICES \$000 | PUBLIC ORDER & SAFETY \$000 | HEALTH \$000 | WELFARE \$000 | HOUSING & COMMUNITY AMENITIES \$000 | RECREATION & CULTURE \$000 | ROADS & TRAFFIC \$000 | OTHER \$000 | TOTAL 2020 \$000 | BUDGET (unaudited) \$000 |
|--|--|--------------------------------------|-----------------|------------------|--|----------------------------------|--------------------------|----------------|------------------------|--------------------------------|
| REVENUES | | | | | | | | | | |
| Rates and charges | 57,086 | 8,400 | - | - | 4,594 | - | - | 531 | 70,611 | 70,251 |
| Statutory fees and fines | - | 51 | 598 | - | 3,175 | - | 1,219 | - | 5,043 | - |
| User fees | 1,015 | 226 | (373) | - | 7,415 | 4,918 | 5,163 | 60 | 18,424 | 25,605 |
| Grants | 1,993 | - | - | 171 | 536 | 2,406 | 3,312 | 100 | 8,518 | 8,428 |
| Contributions - cash | - | - | - | - | 300 | 154 | - | 62 | 516 | - |
| Interest | 1,454 | 13 | - | - | 7 | 33 | - | - | 1,507 | 2,095 |
| Other income | 377 | 46 | 3 | 4 | 304 | 1,649 | 124 | 33 | 2,540 | 2,356 |
| Investment revenue | 2,108 | - | - | - | - | - | - | - | 2,108 | 3,224 |
| | 64,033 | 8,736 | 228 | 175 | 16,331 | 9,160 | 9,818 | 786 | 109,267 | 111,959 |
| EXPENSES | | | | | | | | | | |
| Employee Costs (net of capitalised) | 14,024 | 400 | 1,017 | 876 | 7,518 | 12,690 | 4,394 | 2,198 | 43,117 | 43,204 |
| Materials and Services | 2,816 | 339 | 54 | 298 | 13,890 | 12,968 | 6,244 | 3,541 | 40,150 | 40,471 |
| Impairment of Debts | - | - | - | - | 5 | 7 | - | - | 12 | 26 |
| Depreciation and Amortisation | 2,659 | 13 | - | - | 3,571 | 6,018 | 10,382 | 39 | 22,682 | 21,358 |
| Finance Costs | 315 | - | - | - | - | - | - | 8 | 323 | 622 |
| Change in Asset Values | - | - | - | - | - | - | - | - | - | - |
| Other Expenses | 2,168 | 8,311 | - | - | 2,984 | 890 | 59 | 98 | 14,510 | 8,550 |
| | 21,982 | 9,063 | 1,071 | 1,174 | 27,968 | 32,573 | 21,079 | 5,884 | 120,795 | 114,231 |
| Full Cost Attribution | (2,199) | 86 | 150 | 73 | (160) | 1,102 | 763 | 185 | - | - |
| Competitive Neutrality | (560) | - | - | - | 77 | 335 | 148 | - | - | - |
| | 19,223 | 9,149 | 1,221 | 1,247 | 27,885 | 34,010 | 21,990 | 6,069 | 120,795 | 114,231 |
| Surplus (Deficit) from Operations | 44,810 | (413) | (993) | (1,072) | (11,554) | (24,850) | (12,172) | (5,283) | (11,528) | (2,272) |
| Capital Grants and Infrastructure Adjustments | | | | | | | | | | |
| Capital grants received specifically for new or upgraded assets | - | - | - | - | - | 420 | 1,647 | 884 | 2,951 | 2,834 |
| Non Government Capital Cash Contributions | - | - | - | - | - | 162 | - | - | 162 | - |
| Contributions - non-monetary assets | - | - | - | - | 1,493 | 3,365 | 16,554 | - | 21,412 | - |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | (40) | - | (4) | - | (12) | (937) | (12,683) | - | (13,676) | (200) |
| Net Surplus (Deficit) Before Other Comprehensive Income | 44,770 | (413) | (997) | (1,072) | (10,073) | (21,840) | (6,654) | (4,399) | (679) | 362 |
| Infrastructure Assets | 64,253 | 1,174 | - | 1,170 | 273,513 | 294,511 | 765,873 | 1,276 | 1,401,770 | |
| Other Assets | 288,057 | - | - | - | - | 252,744 | - | 258 | 541,059 | |
| Total Assets | 352,310 | 1,174 | - | 1,170 | 273,513 | 547,255 | 765,873 | 1,534 | 1,942,829 | |

1.6 Functions/Activities of the Council Cont

(a) Revenue, expenditure and assets attributable to each function as categorised in (c) below:

(b) Reconciliation of Assets above with the Statement of Financial Position at 30 June:

| | 2021 | 2020 |
|--------------------|------------------|------------------|
| Current assets | 95,422 | 73,614 |
| Non-current assets | 1,912,886 | 1,869,215 |
| | 2,008,308 | 1,942,829 |

(c) *General Public Service*

Management of the administrative and financial operation of the Council organisation including elected representatives.

Public Order and Safety

Supervision of various by-laws, animal control and public nuisances. The collection of the fire levy on behalf of and paid to the State Fire Commission.

Health

Administration of health legislation on behalf of the State Government including food handling control and public health issues. Provision of immunisation services.

Welfare

Assistance, education and consultation activities connected with community support, care and development.

Housing and Community amenities

Provision of building and development approvals services including the maintenance of the planning scheme. Solid waste services including garbage collection and disposal. The provision of street lighting. Maintenance of a range of public buildings and facilities including cemeteries. Maintenance of the stormwater drainage network including flood mitigation works. Provision of street cleaning

Recreation and Culture

Maintenance of parks and reserves, sports grounds, playgrounds, swimming pools, halls and related recreational facilities. Funding of Queen Victoria Museum and Art Gallery, University of Tasmania Stadium and the Princess Theatre.

Roads and Traffic

Construction and maintenance of roads, footpaths and bridges. Operation of parking facilities including off street car parks and on street metered spaces.

Other

A range of services and facilities including the provision of economic development and promotional services.

| | 2021 \$'000 | 2020 \$'000 |
|---|---------------------|---------------------|
| Note 2 Revenue | | |
| Note 2.1 Rates and charges | | |
| Council uses Assessed Annual Value as the basis of valuation of all properties within the municipality. The assessed annual value of a property is its assessed rental value. | | |
| Valuation and Rating | | |
| Gross Assessed Annual Value of the City | 709,289 | 700,150 |
| Rates | Cents /\$AAV | Cents /\$AAV |
| General Rate - Residential | 6.7654 | 6.7654 |
| General Rate - Commercial | 7.8384 | 7.8384 |
| General Rate - CBD Variation | 9.3823 | 9.3823 |
| General Rate - Industrial | 7.8436 | 7.8436 |
| General Rate - Public Purpose | 7.8384 | 7.8384 |
| General Rate - Primary Production | 7.5215 | 7.5215 |
| General Rate - Sporting and Recreation | 7.8384 | 7.8384 |
| General Rate - Quarrying and Mining | 6.1270 | 6.1270 |
| General Rate - Vacant Land | 6.8554 | 6.8554 |
| Service Rates | | |
| Fire Protection - Urban | 1.3958 | 1.3869 |
| Fire Protection - Rural | 0.3364 | 0.3378 |
| Fire Protection - Lilydale District | 0.3781 | 0.3781 |
| | \$ | \$ |
| General Charge (Fixed Amount) | 290.60 | 290.60 |
| Minimum Rates apply:- | | |
| Fire Levy | 41 | 41 |
| SERVICE CHARGES | \$ Range | \$ Range |
| Waste Management - on bin size | 114.20 - 268.00 | 105.00 - 249.75 |
| Rating Revenue | | |
| General Rates | \$'000 | \$'000 |
| General Charge | 10,434 | 10,343 |
| General Rate - CBD Variation | 524 | 531 |
| General Rate - Residential | 29,196 | 28,809 |
| General Rate - Commercial | 10,285 | 10,085 |
| General Rate - Industrial | 3,051 | 3,029 |
| General Rate - Public Purpose | 3,035 | 3,028 |
| General Rate - Primary Production | 965 | 961 |
| General Rate - Quarrying and Mining | 6 | 6 |
| General Rate - Sporting and Recreation | 263 | 253 |
| General Rate - Vacant Land | 562 | 572 |
| | 58,321 | 57,617 |
| Fire Protection | 8,439 | 8,400 |
| Waste Management | 5,017 | 4,594 |
| Total rates and charges | 71,777 | 70,611 |

Note 2.1 Rates and charges (Continued)

The date of the latest general revaluation of land for rating purposes within the municipality was July 2016, and the valuation was first applied in the rating year commencing 1 July 2017.

Accounting policy

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

Note 2.2 Statutory fees and fines

| | 2021 | 2020 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Infringements and Costs | 1,406 | 1,219 |
| Regulatory Fees | 4,290 | 3,175 |
| Regulatory Services | 597 | 598 |
| Permits and Registrations | 31 | 51 |
| Total statutory fees and fines | 6,324 | 5,043 |

Accounting policy

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

Note 2.3 User fees

| | | |
|------------------------------|---------------|---------------|
| Sport and Leisure Facilities | 4,535 | 3,146 |
| Parking Fees and Charges | 5,880 | 5,353 |
| Waste Charges | 6,483 | 6,749 |
| Health Fees | 23 | 16 |
| Cemetery Fees and Charges | 1,289 | 1,232 |
| Trading Revenue | 1,553 | 1,471 |
| Venue Hire | 6 | 5 |
| Commissions | 419 | 452 |
| Total user fees | 20,188 | 18,424 |

Accounting policy

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

Licences granted by Council are all either short-term or low value and all revenue is recognised at the time that the licence is granted rather than the term of the licence.

Note 2.4 Grants

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Grants were received in respect of the following: | | |
| Summary of grants | | |
| Federally funded grants | 8,368 | 7,235 |
| State funded grants | 3,252 | 3,350 |
| Total | 11,620 | 10,585 |
| Grants - Recurrent | | |
| Commonwealth Grants | | |
| Financial Assistance Grants - General Purpose | 1,427 | 1,433 |
| Financial Assistance Grants - Roads | 3,122 | 2,912 |
| Roads | 503 | 255 |
| Parks | 5 | - |
| Other | 315 | 1,007 |
| State Grants | | |
| Roads | 184 | 167 |
| Sporting Facilities | 250 | - |
| Drainage and Flood Mitigation | 540 | 536 |
| Museum | 1,583 | 1,484 |
| Other | 544 | 724 |
| Total recurrent grants | 8,473 | 8,518 |

Accounting policy

Council recognises untied grant revenue and those without performance obligations when received. In cases where there is an enforceable agreement which contains sufficiently specific performance obligations, revenue is recognised as or when control of each performance obligations is satisfied. (i.e. when it transfers control of a product or provides a service.) A contract liability is recognised for unspent funds received in advance and then recognised as income as obligations are fulfilled.

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

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

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

Note 2.4 Grants

In both years the Commonwealth has made early payment of quarterly instalments of the Financial Assistance Grants for the following year.

Capital grants received specifically for new or upgraded assets

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------|----------------|----------------|
| Commonwealth Grants | | |
| Roads | 1,903 | 1,207 |
| Sporting Facilities | 340 | 420 |
| Parks | 200 | - |
| Museum | 3 | - |
| Other | 550 | - |
| State Grants | | |
| Roads | 100 | 440 |
| Parks | 51 | - |
| Other | - | 884 |
| Total capital grants | 3,147 | 2,951 |

Note 2.5 Contributions

(a) Cash

Ongoing Operations

| | | |
|-------------------------------|-----------|------------|
| Drainage and Flood Mitigation | 33 | 300 |
| Museum | 9 | 153 |
| Other | 20 | 62 |
| Total | 62 | 516 |

Note 2.5 Contributions Capital

(a) Cash

| | | |
|---------------------|------------|------------|
| Sporting Facilities | 60 | 18 |
| Parks | - | 110 |
| Museum | 50 | 34 |
| Other | 192 | - |
| Total | 302 | 162 |

(b) Non-monetary assets

| | | |
|-------------------------------|--------------|---------------|
| Roads | 1,105 | 16,554 |
| Parks | 30 | 150 |
| Drainage and Flood Mitigation | 1,276 | 1,493 |
| Museum | 85 | 3,215 |
| Total | 2,496 | 21,412 |

Accounting policy

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

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------|----------------|----------------|
| Note 2.6 Interest | | |
| Interest on financial assets | 45 | 928 |
| Interest on rates | 329 | 333 |
| Interest on cash and cash equivalents | 184 | 246 |
| Total | <u>558</u> | <u>1,507</u> |

Accounting policy

Interest is recognised progressively as it is earned.

| | | |
|------------------------------|--------------|--------------|
| Note 2.7 Other income | | |
| Rental income | 993 | 942 |
| Sponsorship | 378 | 448 |
| Donations | 51 | 92 |
| Recycling | 103 | 106 |
| Volunteer services | 138 | 91 |
| Bequests | 115 | 134 |
| Other | 711 | 727 |
| Total other income | <u>2,489</u> | <u>2,540</u> |

Accounting policy

Rental income

Rents are recognised as revenue when the payment is due. Rental payments received in advance are recognised as a payable until they are due.

Sponsorship Income

Sponsorship income is recognised upon issue of an invoice.

Donations

Donations revenue is recognised as received.

Recycling Income

Recycling Income is recognised upon issue of an invoice.

Volunteer services

Council recognises the inflow of resources in the form of volunteer services where the fair value of those services can be reliably measured and Council would have purchased those services if they had not been donated.

Bequests

Bequest revenue is recognised as received.

Other

Other income is recognised either as received or on the issue of an invoice.

Operating leases as lessor

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

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

Note 2.7 Other income cont

Accounting policy Cont

Where leases are commercial agreements, the properties are held for the dominant purpose of enhancing council's operating programs and facilities, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Note 2.8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment.

| | 2021 | 2020 |
|------------------------------|-----------------------|------------------------|
| | \$'000 | \$'000 |
| Proceeds of sale | 456 | 1,274 |
| Less Carrying Amounts | <u>(4,909)</u> | <u>(14,950)</u> |
| Gain (Loss) | <u>(4,453)</u> | <u>(13,676)</u> |
| | | |
| Gain on Disposal | 147 | 448 |
| | | |
| Scheduled Loss on Disposal | 2,134 | 990 |
| Unscheduled Loss on Disposal | <u>2,466</u> | <u>13,134</u> |
| | <u>4,600</u> | <u>14,124</u> |
| | | |
| Net Gain (Loss) | <u>(4,453)</u> | <u>(13,676)</u> |

Accounting policy

Gains and losses on asset disposals

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

Note 2.9 Investment revenue

Investment revenue from water corporation

| | | |
|--|---------------------|---------------------|
| Dividend revenue received | 1,362 | 1,141 |
| Tax equivalent received | - | 221 |
| Guarantee fee received | - | - |
| Total investment revenue from water corporation | <u>1,362</u> | <u>1,362</u> |

Investment Revenue from Australian Pacific Airports Ltd (APAL)

| | | |
|---|---------------------|---------------------|
| Dividend revenue received | - | 746 |
| Total Investment revenue from APAL | <u>-</u> | <u>746</u> |
| Total Investment Revenue | <u>1,362</u> | <u>2,108</u> |

Accounting policy

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

| Note 3 Expenses | 2021 | 2020 |
|---------------------------------------|----------------------|----------------------|
| Note 3.1 Employee benefits | \$'000 | \$'000 |
| Wages and Salaries | 30,216 | 28,713 |
| Workers Compensation Insurance | 513 | 417 |
| Employee Leave Entitlements | 4,503 | 4,757 |
| Payroll Tax | 2,364 | 2,278 |
| Superannuation and Retiring Allowance | 6,323 | 6,373 |
| Fringe Benefits Tax | 96 | 95 |
| Redundancy | 60 | 1,380 |
| Other Costs | 677 | 663 |
| | <u>44,752</u> | <u>44,676</u> |
| Less amounts capitalised | (1,897) | (1,559) |
| Total employee benefits | <u>42,855</u> | <u>43,117</u> |

Accounting policy

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

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

| Note 3.2 Materials and services | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Contract payments | 16,171 | 20,625 |
| Building maintenance | - | - |
| Plant and equipment maintenance | - | - |
| Utilities | | |
| Street Lighting | 1,058 | 1,084 |
| Gas | 659 | 738 |
| Electricity | 1,133 | 1,149 |
| Water Fixed - Charges | 728 | 652 |
| Water - Volumetric Charges | 301 | 332 |
| Combined Service Charge (TasWater) | 1,233 | 1,327 |
| Kerbside Collection | 5,857 | 5,374 |
| Rent External | 14 | - |
| Land Tax | 281 | 482 |
| Contributions | | |
| LGAT | 72 | 71 |
| CBD Promotional | 530 | 530 |
| Regional cooperation | 815 | 659 |
| Flood Authority (Internal) | 182 | 182 |
| Community Assistance Grants | 313 | 1,095 |
| Events Funding | 466 | 611 |
| Provision of Services | 629 | 519 |

| Note 3.2 Materials and services Cont | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------|----------------|----------------|
| Administrative | | |
| Administration | 630 | 835 |
| Adverting and Promotion | 191 | 209 |
| Computers and Communication | 466 | 393 |
| Expert Advice | 905 | 1,027 |
| Insurance (Exc. Workers Compensation) | 905 | 957 |
| Maintenance | 161 | 157 |
| Payment and Debt collection | 401 | 446 |
| Postage Printing and Stationery | 339 | 303 |
| Motor Vehicle Expenses | 410 | 393 |
| Total materials and services | 34,850 | 40,150 |

Accounting policy

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

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred.

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

| Note 3.3 Impairment of receivables | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Parking fine debtors | 7 | - |
| Other debtors | 5 | 12 |
| Total impairment of receivables | 12 | 12 |

Accounting policy

Expenses are recognised when Council has determined there to be an increase in the credit risk of a financial asset since initial recognition. Council's policy and events giving rise to impairment losses are disclosed in note 4.2

| Note 3.4 Depreciation and amortisation | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| <i>Property</i> | | |
| Buildings | 3,530 | 3,539 |
| <i>Plant and Equipment</i> | | |
| Plant, machinery and equipment | 3,198 | 3,138 |
| <i>Infrastructure</i> | | |
| Roads | 11,445 | 11,084 |
| Drainage | 1,738 | 1,694 |
| Flood Protection | 447 | 499 |
| Recreational, leisure and community facilities | 1,453 | 1,313 |
| Other Infrastructure | 839 | 701 |

Note 3.4 Depreciation and amortisation Cont

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| <i>Intangible assets</i> | | |
| Intangible assets | 677 | 679 |
| <i>Right-of-use of assets</i> | | |
| Right-of-use of assets | 32 | 35 |
| Total depreciation and amortisation | 23,359 | 22,682 |

Accounting policy

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

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in Right-of-use assets are amortised over the lease term. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually.

Depreciation and amortisation rates and methods are reviewed annually.

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

Land and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life.

The museum collection is not depreciated - see note 6.4

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

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

| | Period |
|---------------------------------------|----------------|
| Land improvements | |
| Buildings | |
| freehold buildings | 30 - 250 years |
| leasehold buildings | 30 - 250 years |
| structures | 30 - 250 years |
| leasehold building improvements | |
| Plant and Equipment | |
| buildings plant | 5- 40 years |
| light vehicles | 4 - 5 years |
| major plant | 5 - 30 years |
| minor plant | 3 - 20 years |
| computer equipment | 3 - 10 years |
| furniture and equipment | 4 - 50 years |
| stormwater and drainage pump stations | 10 - 50 years |

Note 3.4 Depreciation and amortisation cont

| | Period |
|------------------------------------|-----------------|
| Roads | |
| local road pavements | 150 years |
| arterial road pavements | 100 years |
| roads sealed surfaces | 20 - 35 years |
| roads unsealed surfaces | 10 years |
| road substructure | 300 years |
| roads infrastructure | 30 - 100 years |
| road kerb and channel | 100 years |
| Bridges | 25 - 100 years |
| Other Infrastructure | |
| footpaths and cycleways | 30 - 50 years |
| Waste | |
| Waste Centre Clay Liner | 60 - 100 years |
| Future Rehabilitation Costs | 3 - 30 years |
| Waste Centre Other | 10 - 30 years |
| Parks, open space and streetscapes | 10 - 150 years |
| Stormwater and Drainage | 80 - 150 years |
| Flood Protection Infrastructure | 100 - 200 years |
| Flood Protection Plant | 20 years |
| Intangible assets | |
| Data Systems | 3 - 10 years |
| Plans and Strategies | 10 - 15 years |
| Municipal Valuations | 6 years |
| Right-of-use of assets | |
| Right-of-use of assets | Lease Term |

Note 3.5 Finance costs

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Interest - borrowings | 446 | 315 |
| Unwinding of rehabilitation liability | 82 | - |
| Interest - lease liabilities | 7 | 8 |
| Total | 535 | 323 |
| Less capitalised borrowing costs on qualifying assets | - | - |
| Total finance costs | 535 | 323 |

Note 3.5 Finance costs Cont

Accounting policy

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

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

No borrowing costs were capitalised during the period,

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

Note 3.6 Change in value of museum collection

| | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Total reduction in collection value | 49,254 | - |
| Taken to equity | 14,731 | - |
| Expensed | 34,523 | - |
| | <u>49,254</u> | <u>-</u> |

Note 3.7 Other expenses

| | 2021 | 2020 |
|--|----------------------|----------------------|
| | \$'000 | \$'000 |
| External auditors' remuneration (Tasmanian Audit Office) | | |
| Auditing of the Financial Statements | 61 | 56 |
| Other Audit Services | 6 | 13 |
| Internal auditors' remuneration (internal audit) | 36 | 49 |
| Councillors' allowances | 555 | 546 |
| Election Expenses | 25 | 30 |
| Volunteer services | 138 | 91 |
| Fire Levy Paid to State Fire Service | 8,310 | 8,310 |
| Remissions and Abatements | 2,955 | 2,580 |
| Change in Rehabilitation Provision | 1,308 | 2,835 |
| Total | <u>13,394</u> | <u>14,510</u> |

Accounting policy

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

| Note 4 | Current Assets | 2021 | 2020 |
|----------|--|---------------|---------------|
| Note 4.1 | Cash and cash equivalents | \$'000 | \$'000 |
| | Cash on hand | 30 | 29 |
| | Cash at bank trading | 632 | 819 |
| | At Call Investments | 74,129 | 26,391 |
| | Special Committees | 39 | 31 |
| | Total cash and cash equivalents | 74,830 | 27,270 |

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

| | | |
|---|---------------|---------------|
| Trust funds and bequests | 2,441 | 2,362 |
| Provision for retiring allowance | 188 | 175 |
| Provision for waste centre rehabilitation | 19,258 | 14,827 |
| Restricted funds | 21,887 | 17,364 |
| Total unrestricted cash and cash equivalents | 52,943 | 9,906 |

Accounting policy

Cash and cash equivalents

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

Restricted funds

Trusts and bequests

Trusts and bequests represent amounts bequeathed to Council for expenditure on specific purposes.

Retiring allowance

Council has a small number of employees entitled to a retiring allowance by way of a legacy entitlement.

Rehabilitation Liability

Council's rehabilitation liability is significant with most of the liability to be realised within the next ten years.

| Note 4.2 | Trade and other receivables | 2021 | 2020 |
|---|--|--------------|--------------|
| | Current | \$'000 | \$'000 |
| | Rates debtors | 1,749 | 2,472 |
| | Parking infringement debtors | 1,507 | 1,618 |
| | Provision for expected credit loss - parking infringements | (784) | (1,014) |
| | Other debtors | 2,438 | 4,716 |
| | Provision for expected credit loss - other debtors | (200) | (286) |
| | Net GST receivable | 456 | 525 |
| | Total trade and other receivables | 5,166 | 8,031 |
| Reconciliation of movement in expected credit loss | | | |
| | Carrying amount at 1 July | 1,300 | 1,535 |
| | Amounts written off during the year | (49) | (69) |
| | Movement in Provision | (267) | (166) |
| | Carrying amount at 30 June | 984 | 1,300 |

For ageing analysis of the financial assets, refer to note 9.5

Note 4.2 Trade and other receivables Cont

| |
|---|
| Accounting policy |
| Trade and other receivables |
| Trade receivables that do not contain a significant financing component are measured at cost, which represents their transaction value. |
| Impairment |
| Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information. Council has established a provision matrix to facilitate the impairment assessment. |
| Rate Debtors |
| For rate debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. |
| Sundry debtors |
| Sundry debtors are assessed for impairment on an individual basis. |
| Infringement and statutory charges debtors |
| Infringement and statutory charges debtors are impaired using an aging matrix. |
| Write off of debts |
| Council writes off receivables when there is information indicating that there is no realistic prospect of recovery. |

| | | |
|------------------------------------|----------------------|----------------------|
| Note 4.3 Investments | 2021 | 2020 |
| <i>Current</i> | \$'000 | \$'000 |
| Term deposits - more than 3 months | 10,009 | 33,074 |
| | <u>10,009</u> | <u>33,074</u> |

| |
|---|
| Accounting policy |
| Investments |
| Term deposits with maturities beyond 90 days at the time of investment are measured at principle and interest on an accrual basis |

| | | |
|-----------------------------------|-------------------|-------------------|
| Note 4.4 Inventories | | |
| Inventories held for distribution | 677 | 499 |
| Inventories held for sale | 222 | 222 |
| Total inventories | <u>899</u> | <u>721</u> |

| |
|--|
| Accounting policy |
| Inventories |
| Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. |
| Inventories held for sale are measured at the lower of cost and net realisable value. |
| Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition. |

| | 2021 | 2020 |
|--------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 4.5 Assets held for sale | | |
| Carrying Value | 26,332 | 26,332 |
| Impairment adjustment | (21,814) | (21,814) |
| Total | 4,518 | 4,518 |

In 2017, Council entered into a Memorandum of Understanding with the University of Tasmania for an exchange of property, to assist in facilitation of the relocation of the northern campus.

Under this proposal, the University will acquire land in the Inveresk Precinct and the Willis Street Car Park, including the National Automobile Museum of Tasmania. In exchange, Council will receive land and buildings comprised of a new purpose built National Automobile of Tasmania facility, including land to facilitate car parking on-site. The assets received are expected to be of a higher value than those held for sale. While the building works are complete title had not passed at the reporting date.

In 2019/20, Council and the Department of State Growth signed a deed of transfer to exchange a number of roads within the municipality. The finalisation of this exchange has been delayed due to a lack of resources within the Department of State Growth to undertake the gazetting of these roads. As a result of this delay, a number of assets associated with Brisbane Street and York Street are now classified as held for sale.

Accounting policy

Assets held for sale

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount or fair value less costs to sell, and is not subject to depreciation. Non-current assets, disposal groups and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Note 5 Investments

Note 5.1 Investment in water corporation

| | | |
|--|----------------|----------------|
| Opening balance | 208,957 | 272,195 |
| Change in fair value of investment | 16,745 | (63,238) |
| Total investment in water corporation | 225,702 | 208,957 |

Council has derived returns from the water corporation as disclosed at note 2.9

Accounting policy

Equity Investment

Council's investment in TasWater is defined by statute under the *Water and Sewerage Corporations Act (Tas) 2012*.

Council has elected under AASB 9: *Financial Instruments* to irrevocably classify this equity investment as designated at fair value through other comprehensive income.

Note 5.1 Investment in water corporation Cont

Accounting policy

Equity Investment

Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer note 9.1) and not reclassified through the profit or loss when derecognised.

Dividends and other revenues associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured.

Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2021, Council holds 14.32% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution.

Note 6 Non-current assets

Note 6.1 Property, infrastructure, plant and equipment

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------|------------------|------------------|
| Summary | | |
| at cost | 65,165 | 51,511 |
| Less accumulated depreciation | (21,662) | (19,871) |
| | 43,503 | 31,640 |
| | | |
| at fair value as at 30 June | 2,028,011 | 1,920,864 |
| Less accumulated depreciation | (594,951) | (550,734) |
| | 1,433,060 | 1,370,130 |
| Total | 1,476,563 | 1,401,770 |
| | | |
| Property | | |
| Land | | |
| at fair value as at 30 June | 151,973 | 131,678 |
| | 151,973 | 131,678 |
| | | |
| Land under roads | | |
| at fair value at 30 June | 145,889 | 145,689 |
| | 145,889 | 145,689 |
| | | |
| Total Land | 297,862 | 277,367 |
| | | |
| Buildings | | |
| at fair value as at 30 June | 302,777 | 276,865 |
| Less accumulated depreciation | (116,885) | (100,382) |
| Total Buildings | 185,892 | 176,483 |
| | | |
| Total Property | 483,754 | 453,850 |
| | | |
| Plant and Equipment | | |
| Plant, machinery and equipment | | |
| at cost | 45,621 | 43,916 |
| Less accumulated depreciation | (21,662) | (19,871) |
| Total Plant and Equipment | 23,959 | 24,045 |
| | | |
| Infrastructure | | |
| Roads | | |
| at fair value as at 30 June | 1,002,735 | 967,372 |
| Less accumulated depreciation | (352,278) | (334,230) |
| | 650,457 | 633,142 |

Note 6.1 Property, infrastructure, plant and equipment (Continued)

| | 2021 \$'000 | 2020 \$'000 |
|--|------------------|------------------|
| Drainage | | |
| at fair value as at 30 June | 264,181 | 253,635 |
| Less accumulated depreciation | (84,343) | (79,648) |
| | 179,838 | 173,987 |
| Recreational, leisure and community facilities | | |
| at fair value as at 30 June | 63,241 | 60,230 |
| Less accumulated depreciation | (14,452) | (12,406) |
| | 48,789 | 47,824 |
| Flood Protection | | |
| at fair value as at 30 June | 58,751 | 52,312 |
| Less accumulated depreciation | (10,266) | (8,692) |
| | 48,485 | 43,620 |
| Refuse Disposal | | |
| at fair value as at 30 June | 38,465 | 33,083 |
| Less accumulated depreciation | (16,727) | (15,376) |
| | 21,738 | 17,707 |
| Total Infrastructure | 949,307 | 916,280 |
| Works in progress | | |
| At cost | 19,544 | 7,595 |
| Total Works in progress | 19,544 | 7,595 |
| Total property, infrastructure, plant and equipment | 1,476,563 | 1,401,770 |

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment

| 2021 | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements) | Depreciation and amortisation (note 3.4) | Written down value of disposals | Impairment losses recognised in profit or loss | Transfers | Balance at end of financial year |
|--|--|--------------------------|---|--|--|--|-----------|-------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | | | | | | | | |
| Land | 131,678 | 30 | 20,265 | - | - | - | - | 151,973 |
| Land under roads | 145,689 | 214 | - | - | (14) | - | - | 145,889 |
| Total land | 277,367 | 244 | 20,265 | - | (14) | - | - | 297,862 |
| Buildings | 176,484 | - | 12,835 | (3,530) | (1,750) | - | 1,853 | 185,892 |
| Total buildings | 176,484 | - | 12,835 | (3,530) | (1,750) | - | 1,853 | 185,892 |
| Total property | 453,851 | 244 | 33,100 | (3,530) | (1,764) | - | 1,853 | 483,754 |
| Plant and Equipment | | | | | | | | |
| Plant, machinery and equipment | 24,044 | - | - | (3,198) | (396) | - | 3,507 | 23,957 |
| Total plant and equipment | 24,044 | - | - | (3,198) | (396) | - | 3,507 | 23,957 |
| Infrastructure | | | | | | | | |
| Roads | 633,144 | 896 | 20,804 | (11,445) | (2,551) | - | 9,606 | 650,454 |
| Drainage | 173,986 | 1,275 | 6,038 | (1,738) | (175) | - | 452 | 179,838 |
| Flood Protection | 43,619 | - | 5,313 | (447) | - | - | - | 48,484 |
| Refuse Disposal | 17,706 | 3,041 | 613 | (839) | - | - | 1,217 | 21,738 |
| Parks and Recreation | 47,825 | - | 1,460 | (1,453) | - | - | 958 | 48,790 |
| Total infrastructure | 916,280 | 5,212 | 34,228 | (15,922) | (2,726) | - | 12,233 | 949,304 |
| Works in progress | | | | | | | | |
| Total works in progress | 7,595 | 29,541 | - | - | - | - | (17,592) | 19,544 |
| | 7,595 | 29,541 | - | - | - | - | (17,592) | 19,544 |
| Total property, infrastructure, plant and equipment | 1,401,770 | 34,998 | 67,327 | (22,650) | (4,886) | - | - | 1,476,559 |

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment (continued)

| 2020 | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements) | Depreciation and amortisation (note 3.4) | Written down value of disposals | Impairment losses recognised in profit or loss | Transfers | Balance at end of financial year |
|--|--|--------------------------|---|--|--|--|-----------------|-------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Property | | | | | | | | |
| Land | 111,813 | (345) | 16,266 | - | (726) | - | 4,670 | 131,678 |
| Land under roads | 127,356 | 2,133 | 18,424 | - | (2,772) | - | 548 | 145,689 |
| Total land | 239,169 | 1,788 | 34,690 | - | (3,498) | - | 5,218 | 277,367 |
| Buildings | 172,658 | - | - | (3,539) | (412) | - | 7,777 | 176,484 |
| Total buildings | 172,658 | - | - | (3,539) | (412) | - | 7,777 | 176,484 |
| Total property | 411,827 | 1,788 | 34,690 | (3,539) | (3,910) | - | 12,995 | 453,851 |
| Plant and Equipment | | | | | | | | |
| Plant and Equipment | 22,585 | - | - | (3,138) | (594) | - | 5,191 | 24,044 |
| Total plant and equipment | 22,585 | - | - | (3,138) | (594) | - | 5,191 | 24,044 |
| Infrastructure | | | | | | | | |
| Roads | 618,318 | 13,502 | 13,721 | (11,084) | (9,311) | - | 7,999 | 633,144 |
| Drainage | 165,685 | 1,478 | 5,641 | (1,694) | - | - | 2,875 | 173,986 |
| Flood Protection | 43,555 | 332 | - | (499) | - | - | 231 | 43,619 |
| Refuse Disposal | 18,413 | - | (108) | (701) | - | - | 102 | 17,706 |
| Parks and Recreation | 39,433 | - | (3,950) | (1,313) | (80) | - | 13,735 | 47,825 |
| Total infrastructure | 885,404 | 15,312 | 15,304 | (15,291) | (9,391) | - | 24,942 | 916,280 |
| Works in progress | | | | | | | | |
| Work in Progress | 16,305 | 35,534 | - | - | - | - | (44,244) | 7,595 |
| Total works in progress | 16,305 | 35,534 | - | - | - | - | (44,244) | 7,595 |
| Total property, infrastructure, plant and equipment | 1,336,121 | 52,634 | 49,994 | (21,968) | (13,895) | - | (1,116) | 1,401,770 |

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Accounting policy

Recognition and measurement of assets

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

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

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

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

| | Threshold \$'000 |
|---------------------------------------|-----------------------------|
| Land | |
| Land | 5 |
| Land under roads | 0 |
| Buildings | |
| Buildings | 0 |
| Plant and Equipment | |
| Plant, machinery and equipment | 0 - 1 |
| Roads | |
| Road pavements and seals | 5 - 10 |
| Road substructure | 5 - 10 |
| Road kerb, channel and minor culverts | 0 - 5 |
| Bridges deck | 0 - 10 |
| Bridges substructure | 0 - 10 |
| Drainage | 0 - 10 |
| Refuse | 10 |
| Flood | 1 |
| Parks and Recreation | 0 - 10 |
| Museum collection | 5 |

Revaluation

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

| | |
|---------------------------------|------------|
| Land | fair value |
| Buildings | fair value |
| Plant and equipment | cost |
| Roads | fair value |
| Drainage | fair value |
| Refuse | fair value |
| Flood | fair value |
| Parks and Recreation | fair value |
| Investment in water corporation | fair value |

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Accounting Policy cont

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*.

At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

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

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

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense.

Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

Impairment losses are recognised in the statement of comprehensive income under other expenses.

Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

| | 2021 | 2020 |
|-----------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 6.2 Intangible assets | | |
| Data Systems | 3,007 | 3,594 |
| Plans and Strategies | 1,214 | 1,326 |
| Municipal Valuation | 205 | 307 |
| Total intangible assets | 4,426 | 5,227 |

| Reconciliation of intangible assets | Data | Plans and | Municipal | Total |
|-------------------------------------|--------------|--------------|------------|---------------|
| | Systems | Strategies | Valuations | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2019 | 7,557 | 2,180 | 614 | 10,351 |
| Additions | 36 | - | - | 36 |
| Disposals | (80) | - | - | (80) |
| Opening Work in Progress | (222) | (152) | - | (374) |
| Work in Progress | 613 | - | - | 613 |
| Balance at 30 June 2020 | 7,904 | 2,028 | 614 | 10,546 |
| Additions | 129 | - | - | 129 |
| Disposals | (126) | (99) | - | (225) |
| Opening Work in Progress | (613) | - | - | (613) |
| Work in Progress | 381 | - | - | 381 |
| Balance at 30 June 2021 | 7,675 | 1,929 | 614 | 10,218 |

Accumulated amortisation and impairment

| | | | | |
|-------------------------|--------------|------------|------------|--------------|
| Balance at 1 July 2019 | 3,920 | 596 | 205 | 4,721 |
| Amortisation expense | 470 | 106 | 102 | 678 |
| Disposals | (80) | - | - | (80) |
| Transfers | - | - | - | - |
| Balance at 30 June 2020 | 4,310 | 702 | 307 | 5,319 |
| Amortisation expense | 468 | 106 | 102 | 676 |
| Disposals | (110) | (93) | - | (203) |
| Transfers | - | - | - | - |
| Balance at 30 June 2021 | 4,668 | 715 | 409 | 5,792 |

| | | | | |
|--------------------------------|--------------|--------------|------------|--------------|
| Net book value at 30 June 2020 | 3,594 | 1,326 | 307 | 5,227 |
| Net book value at 30 June 2021 | 3,007 | 1,214 | 205 | 4,426 |

Accounting policy

Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

In accordance with Council's policy, the threshold limits applied when recognising intangible assets is \$1,000 to \$10,000 and is consistent with the prior year.

Note 6.2 Intangible assets cont

Accounting Policy Cont

The estimated useful lives for current and comparative periods are as follows:

| | |
|----------------------|---------------|
| Data Systems | 3 - 10 years |
| Plans and Strategies | 10 - 15 years |
| Municipal Valuations | 6 years |

Note 6.3 Right-of-use assets

| | Property \$'000 | Total \$'000 |
|--|--------------------|-----------------|
| Gross carrying amount | | |
| Balance at 1 July 2020 | 294 | 294 |
| Additions | - | - |
| Disposals / derecognition | - | - |
| Balance at 30 June 2021 | <u>294</u> | <u>294</u> |
| Accumulated amortisation and impairment | | |
| Balance at 1 July 2020 | 35 | 35 |
| Disposals | - | - |
| Amortisation expense | 35 | 35 |
| Balance at 30 June 2021 | <u>70</u> | <u>70</u> |
| Net book value at 30 June 2021 | <u>224</u> | <u>224</u> |
| | | |
| | Property \$'000 | Total \$'000 |
| Gross carrying amount | | |
| Balance at 1 July 2019 | - | - |
| Adoption of AASB 16 | 294 | 294 |
| Additions | - | - |
| Disposals / derecognition | - | - |
| Balance at 30 June 2020 | <u>294</u> | <u>294</u> |
| Accumulated amortisation and impairment | | |
| Balance at 1 July 2019 | - | - |
| Adoption of AASB 16 | - | - |
| Disposals | - | - |
| Amortisation expense | 35 | 35 |
| Balance at 30 June 2020 | <u>35</u> | <u>35</u> |
| Net book value at 30 June 2020 | <u>259</u> | <u>259</u> |

Note 6.3 Right-of-use assets cont

Accounting policy

Leases - Council as Lessee

In contracts where Council is a lessee, Council recognises a right-of-use asset and a lease liability at the commencement date of the lease, unless the short-term or low-value exemption is applied. Refer to note 7.4 for details on accounting policy of lease liability.

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

All right-of-use assets are measured as described in the accounting policy for property, infrastructure, plant and equipment in Note 6.1. Also, Council applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the aforesaid note."

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

Note 6.4 Queen Victoria Museum and Art Gallery

Museum Collection

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Opening Balance | 252,744 | 249,779 |
| Additions | 202 | 3,215 |
| Disposals | - | (250) |
| Collection revaluation - taken to equity | (14,731) | - |
| Collection revaluation - expensed | (34,523) | - |
| Collection Carrying Value | <u>203,692</u> | <u>252,744</u> |

The independent valuation of the Queen Victoria Museum and Art Gallery collection, by Simon Storey FAVAA of Simon Storey Valuations was completed during the financial year to 30 June 2021.

This amount has been disclosed as a separate asset class in the Statement of Financial Position.

Accounting Policy

Museum Collection

The Museum collection assets have been assessed to have indefinite lives. These heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time.

Where conservation, restoration and preservation activities demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore not subject to depreciation. Revaluations will be made with sufficient regularity to maintain the collection at fair value.

Note 6.4 Queen Victoria Museum and Art Gallery cont

Accounting Policy Cont

Significant additions to the collection between revaluations are brought to account at curators valuation. Significance is defined at a threshold value of \$5,000. Additions below this amount are brought to account on revaluation of the whole collection.

Change in Accounting Estimate

For the 30 June 2021 valuation a change was made to the valuation method for the majority of Natural Sciences specimens, from market value to a recollection cost.

This has resulted in a large decrease to the overall value of the Queen Victoria Museum and Art Gallery collection.

| | 2021 | 2020 |
|---------------------------------------|-----------------|----------------|
| | \$'000 | \$'000 |
| Results from Museum Operations | | |
| Revenue | | |
| Fees and Charges | 357 | 453 |
| State Government Operations Grant | 1,521 | 1,484 |
| Other Grants | 62 | 1,073 |
| Bequests and Donations | 148 | 226 |
| Interest | 7 | 33 |
| Other Income | 173 | 219 |
| | 2,268 | 3,488 |
| Expenses | | |
| Provision of Services | 6,311 | 7,702 |
| Bequest Expenditure | 46 | 27 |
| Depreciation | 933 | 977 |
| Full cost Attribution | 366 | 366 |
| | 7,656 | 9,072 |
| Operating Surplus | (5,388) | (5,584) |
| Add Collection Contributions | 85 | 3,215 |
| Add Capital Grants and Contributions | 53 | 34 |
| Less Collection Revaluation Reduction | (34,523) | - |
| Surplus / (Deficit) | (39,773) | (2,335) |

Note 6.5 Superannuation

City of Launceston Defined Benefits - Sub Fund of Spirit super

The assets and members of the City of Launceston are a division of Spirit Super on a "successor fund" basis.

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| The Council has taken up an Asset /(Liability) of : | 2,025 | (2,906) |

Note 6.5 Superannuation cont

Accounting Policy

Superannuation Liability

During the year the Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee*

Accumulation Funds

New employees are able to join an accumulation fund of their choice. Employees who are members of the defined benefits fund are able to transfer to a complying accumulation fund. The default offering for Council employees is provided by Spirit Super.

Defined Benefit Funds

The Council contributes, in respect of its eligible employees, to the City of Launceston Defined Benefits Division which was established for employees of the Council. It includes a small number of former employees of the Council that transferred to TasWater. The fund is closed to new entrants.

The details of the actuarial review are:

In respect of the excess of benefit liabilities over assets in the Fund, the Council does not have any immediate requirement to fund the shortfall and continues to fund at the level of contributions assessed by the Scheme's actuary as being required to meet the long term requirements of the Fund.

The calculation of the liability is based on an actuarial review for the purpose of AASB 119 performed by Michael Berg FIAA on behalf of Deloitte, as at 31 May 2021.

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| The amount taken up as an employee benefit obligation is made up as follows: | | |
| Balance Sheet Calculation | | |
| Fair value of plan assets | 57,521 | 51,340 |
| Less present value of defined benefit obligation | (55,496) | (53,810) |
| Employee benefit asset (obligation) | 2,025 | (2,470) |
| Add Allowance for Contributions Tax | - | (436) |
| Asset / (Liability) Recognised | <u>2,025</u> | <u>(2,906)</u> |

A liability for contributions tax is only recognised when the fund is in deficit.

Defined Benefit Obligation

Reconciliation of Obligation

| | | |
|---|---------------|---------------|
| Present value of defined benefit obligation - 1 July | 53,810 | 57,632 |
| Current service cost | 2,333 | 2,678 |
| Interest cost | 483 | 771 |
| Member contributions and transfers from other funds | 804 | 1,212 |
| Actuarial (gains)/ losses due to changes in financial assumptions | (2,711) | 465 |
| Actuarial (gains)/losses due to changes in experience | 6,362 | 79 |
| Benefits and tax paid | (5,585) | (9,027) |
| Present value of defined benefit obligation - 30 June | <u>55,496</u> | <u>53,810</u> |

Note 6.5 Superannuation cont

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Assets | | |
| Reconciliation of Assets | | |
| Fair value of plan - 1 July | 51,340 | 56,091 |
| Expected return on plan assets | 443 | 738 |
| Actuarial gains/ (losses) | 8,758 | 445 |
| Employer contributions | 1,072 | 1,144 |
| Member contributions and transfers from other funds | 1,492 | 1,949 |
| Benefits and tax paid | (5,584) | (9,027) |
| Fair value of defined benefit obligation - 30 June | <u>57,521</u> | <u>51,340</u> |
| Expense recognised in Operating Surplus | | |
| Current service cost | 2,333 | 2,678 |
| Interest cost | 483 | 771 |
| Expected return on plan assets | (443) | (738) |
| Superannuation expense | <u>2,373</u> | <u>2,711</u> |
| Expense recognised in Other Comprehensive Income | | |
| Actuarial gains/(losses) | <u>6,192</u> | <u>442</u> |

General Plan Information

The Plan is a division of the "profit for members" superannuation scheme known as Spirit Super ("the Scheme") and the Trustee of the Scheme is Motor Trades Association of Australia Superannuation Fund. The Scheme and the Plan are subject to the requirements of the *Superannuation Industry (Supervision) Act 1992* and related regulations. Under this legislation, the Trustee is required to measure the value of the assets of the Plan against the total members' vested entitlements and to take action if a shortfall in the value of the assets emerges. Such action could include actuarial management of the Plan, including an annuity purchase. Members of the Fund are entitled to receive lump sum benefits on leaving service due to retirement, death, total and permanent disablement and resignation.

The most recent actuarial investigation into the Fund in accordance with the Superannuation Industry (Supervision) Act was carried out by Michael Berg of Rice Warner as at 30 June 2020.

The actuary recommended that the Employer contribute at the rate of 11% of salaries. The funding method used to make the contribution recommendation was the "aggregate funding method".

The economic assumptions used in the investigation were:

| | | |
|--|-------|-------|
| Rate of investment return: | 5.20% | 7.00% |
| Rate of inflationary salary increases: | 2.75% | 4.00% |

Note 6.5 Superannuation Continued

Method of determining Expected Return on plan assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the expected long term allocation of assets to each asset class. Returns are net of investment tax and investment fees.

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Actual Return on Plan Assets | | |
| Present value of defined benefit obligation at end of year | 55,496 | 53,810 |
| Add Allowance for Contributions Tax | - | 436 |
| Fair value of Plan assets at end of year | (57,521) | (51,340) |
| (Surplus)/Deficit in Plan | <u>(2,025)</u> | <u>2,906</u> |
| Experience adjustments - Plan liabilities | (6,362) | (79) |
| Experience adjustments - Plan assets | 8,758 | 445 |
| Actual return on Fund assets | 9,202 | 1,184 |

Principal Assumptions

| | 2021 | 2020 |
|--------------------|-----------|---------------|
| Discount Rate p.a. | 1.61% | 0.89% |
| Salary Increases | 0% - 2.5% | 2.25% - 2.75% |

Expected Contributions

If the Council follows the recommendations in the actuarial report, the expected contributions to the Fund for the year ending 31 May 2021 are as follows:

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Expected member contributions (for defined benefits only) | 1,140 | 1,201 |
| Expected member contributions (incl. deemed member contributions) | 622 | 655 |

Sensitivity Analysis

The table below shows how the net liability on the Statement of Financial Position would have been affected by changes in the key actuarial assumptions.

| Assumption | Change in Assumption | Movement in Net Liability \$'000 |
|--------------------|----------------------|----------------------------------|
| Discount Rate | Increase by: 1% p.a. | Decrease by: 1,187 |
| Discount Rate | Decrease by: 1% p.a. | Increase by: 1,669 |
| Salary Growth Rate | Increase by: 1% p.a. | Increase by: 1,533 |
| Salary Growth Rate | Decrease by: 1% p.a. | Decrease by: 1,153 |

| Note 6.6 Other assets | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| <i>Non-current</i> | | |
| Deferred Receivable - Loan Australian Pacific Airports Ltd | 258 | 258 |
| Total | 258 | 258 |

Note 7 Current liabilities

Note 7.1 Trade and other payables

| | | |
|---------------------------------------|--------------|--------------|
| Trade payables | - | - |
| Accrued expenses | 9,060 | 5,006 |
| Total trade and other payables | 9,060 | 5,006 |

Accounting policy

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date. General Creditors are unsecured, not subject to interest charges and are normally settled on invoice terms.

For ageing analysis of trade and other payables, refer to note 9.5

Note 7.2 Trust funds and deposits

| | | |
|---------------------------------------|--------------|--------------|
| Refundable deposits | 423 | 162 |
| Prepayments | 198 | 204 |
| Rates Paid in Advance | 1,703 | 2,234 |
| Conditional Museum Funding | 51 | 67 |
| Total trust funds and deposits | 2,375 | 2,667 |

Accounting policy

Refundable Deposits

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

| | Annual leave | Long service leave | Accrued time | Retiring Allowance | Total |
|--|-----------------|--------------------------|-----------------|-----------------------|--------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Note 7.3 Employee Provisions | | | | | |
| 2021 | | | | | |
| Balance at beginning of the financial year | 2,956 | 4,988 | 97 | 175 | 8,216 |
| Additional provisions | (9) | 105 | 6 | 13 | 115 |
| Increase in the discounted amount arising because of time and the effect of any change in the discount rate. | 55 | 19 | - | - | 74 |
| Balance at the end of the financial year | 3,002 | 5,112 | 103 | 188 | 8,405 |
| Current | 3,002 | 4,088 | 103 | 188 | 7,381 |
| Non-current | - | 1,024 | - | - | 1,024 |
| Total | 3,002 | 5,112 | 103 | 188 | 8,405 |
| 2020 | | | | | |
| Balance at beginning of the financial year | 2,709 | 4,150 | 90 | 171 | 7,120 |
| Additional provisions | 131 | 793 | 7 | 4 | 935 |
| Increase in the discounted amount arising because of time and the effect of any change in the discount rate | 116 | 45 | - | - | 161 |
| Balance at the end of the financial year | 2,956 | 4,988 | 97 | 175 | 8,216 |
| Current | 2,956 | 4,045 | 97 | 175 | 7,273 |
| Non-current | - | 943 | - | - | 943 |
| Total | 2,956 | 4,988 | 97 | 175 | 8,216 |

(a) Employee benefits

The following assumptions were adopted in measuring the present value of employee benefits:

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Weighted average increase in employee costs | 1.92% | 2.25% |
| Weighted average discount rates | 1.21% | 0.27% |

Employee Numbers - Full time equivalents

| | |
|------|-----|
| 2021 | 460 |
| 2020 | 426 |

Note 7.3 Employee Provisions Continued

Accounting policy

Employee benefits

i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accrued time expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accrued time are recognised in the provision for employee benefits.

ii) Long term employee benefit obligations

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

iii) Personal Leave

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

Superannuation

iv) Defined benefit plans

See note 6.5

v) Defined contribution plans

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

Note 7.4 Lease liabilities

| | 2021 | 2020 |
|-------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Lease liabilities | 264 | 290 |
| | <u>264</u> | <u>290</u> |
| Current | 29 | 27 |
| Non-Current | 235 | 263 |
| | <u>264</u> | <u>290</u> |

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

| As at 30 June 2021 | Minimum lease payments due | | | | | | Total |
|---------------------------|----------------------------|-----------|-----------|-----------|-----------|---------------|---------|
| | Within 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | After 5 Years | |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Lease payments | 35 | 36 | 39 | 40 | 42 | 103 | 295 |
| Finance charges | (6) | (6) | (5) | (4) | (3) | (7) | (31) |
| Net present value | 29 | 30 | 34 | 36 | 39 | 96 | 264 |
| As at 30 June 2020 | | | | | | | |
| Lease payments | 34 | 35 | 36 | 38 | 39 | 144 | 326 |
| Finance charges | (7) | (6) | (6) | (5) | (4) | (8) | (36) |
| Net present value | 27 | 29 | 30 | 33 | 35 | 136 | 290 |

Accounting policy

Leases - Council as Lessee

The lease liability is measured at the present value of outstanding payments that are not paid at balance date, discounted by using the rate implicit in the lease. Where this cannot be readily determined then Council's incremental borrowing rate for a similar term with similar security is used.

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

Short-term leases and leases of low-value assets

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases i.e. leases with a lease term of 12 months or less and leases of low-value assets i.e., when the value of the leased asset when new is \$10,000 or less. Council recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Note 7.5 Contract Liabilities

| | 2021 | 2020 |
|----------------------------|--------------|----------|
| | \$'000 | \$'000 |
| Current | | |
| Grants received in advance | 1,296 | - |
| | <u>1,296</u> | <u>-</u> |

Accounting policy

Council recognised the following contract liabilities with customers:

Rates and charges in advance

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

Grants received in advance

These amounts are grants for roads and community infrastructure which are yet to be completed.

Upfront Payments

Upfront payments of funding are recognised as a contract liability until performance obligations in accordance with AASB 15 are satisfied and recognition criteria are met.

Note 8. Non Current Liabilities

Note 8.1 Interest-bearing loans and borrowings

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Current | | |
| Borrowings - secured | 9,000 | - |
| | <u>9,000</u> | <u>-</u> |
| Non-current | | |
| Borrowings - secured | 26,000 | 15,000 |
| | <u>26,000</u> | <u>15,000</u> |
| Total | <u>35,000</u> | <u>15,000</u> |
| Borrowings | | |
| The maturity profile for Council's borrowings is: | | |
| Not later than one year | 9,000 | - |
| Later than one year and not later than five years | 26,000 | 15,000 |
| Later than five years | - | - |
| Total | <u>35,000</u> | <u>15,000</u> |

Accounting policy

Interest bearing liabilities

The borrowing capacity of Council is limited by the *Local Government Act 1993*.

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition these liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the liability using the effective interest method.

Borrowings are secured by way of mortgages over the general rates of the Council.

Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period.

Note 8.2 Rehabilitation Provision

Provision for Rehabilitation

| | | |
|-------------------------------------|---------------|---------------|
| Balance at beginning of year | 14,827 | 10,452 |
| Unwinding of discount | 82 | - |
| Favourable discount - Other revenue | - | (53) |
| Repriced liability taken to equity | - | 1,593 |
| Repriced liability expensed | 1,308 | 2,835 |
| New Cells Recognised | 3,041 | - |
| Balance at end of year | <u>19,258</u> | <u>14,827</u> |
| Current Liability | 7,920 | - |
| Non Current Liability | 11,338 | 14,827 |
| Total Liability | <u>19,258</u> | <u>14,827</u> |

Note 8.2 Rehabilitation Provision Continued

Accounting policy

Rehabilitation

The Council operates a refuse disposal area (Launceston Waste Centre) which imposes obligations for rehabilitation in the future.

Provision is made for rehabilitation costs to be incurred in future years by estimating the future costs based on current legislative requirements. This future cost is discounted back to present value at balance date. At each balance date the discounting is unwound as a finance cost.

Each year at the balance date the liability is reassessed to ensure the provision represents an accurate reflection of the future costs. Where there is an asset revaluation reserve available these changes are taken to Equity. If there is no revaluation reserve available they are expensed in the year they are incurred.

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

| | Balance at beginning of reporting year | Net Surplus | Comprehensive Income | Balance at end of reporting year |
|---|--|-------------|-------------------------|-------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 9 Other financial information | | | | |
| Note 9.1 Equity | | | | |
| (a) Asset revaluation reserve | | | | |
| 2021 | | | | |
| Property & Infrastructure | 713,062 | - | 52,595 | 765,657 |
| Total asset revaluation reserve | 713,062 | - | 52,595 | 765,657 |
| 2020 | | | | |
| Property & Infrastructure | 664,668 | - | 48,394 | 713,062 |
| Total asset revaluation reserve | 664,668 | - | 48,394 | 713,062 |

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

(b) Fair value reserve

| | | | | |
|--------------------------------------|-----------------|----------|-----------------|-----------------|
| 2021 Equity Investment assets | | | | |
| Investment in water corporation | (44,153) | - | 16,749 | (27,404) |
| Total fair value reserve | (44,153) | - | 16,749 | (27,404) |
| 2020 Equity Investment assets | | | | |
| Investment in water corporation | 19,085 | - | (63,238) | (44,153) |
| Total fair value reserve | 19,085 | - | (63,238) | (44,153) |

Note 9.1 Reserves Cont

Council has to designate its investment in Taswater as an equity investment at fair value through other comprehensive income. Subsequent changes in fair value are reflected in the reserve and will not be reclassified through the profit or loss when derecognised.

| (c) Accumulated Surplus | Balance at beginning of reporting year \$'000 | Net Surplus | Comprehensive Income | Balance at end of reporting year \$'000 |
|---|--|--------------------|---------------------------------|--|
| 2021 Capital Reserve Government Grants | 195,383 | 3,147 | - | 198,530 |
| Capital Reserve Other Contributions | 21,398 | 2,496 | - | 23,894 |
| General Reserve | 982,940 | (47,066) | - | 935,874 |
| CBD Reserve | (81) | (121) | - | (202) |
| Investment in Water Corporation | 2,724 | - | - | 2,724 |
| Public Open Space | 398 | 30 | - | 428 |
| Self Insurance | 3,485 | 200 | - | 3,685 |
| Special Committees | 32 | - | - | 32 |
| Waste Centre Rehabilitation | 14,827 | 4,430 | - | 19,257 |
| Employee Benefits | 1,540 | - | 6,192 | 7,732 |
| Trusts and Bequests - Parks | 32 | - | - | 32 |
| Trusts and Bequests - Museum | 2,327 | 82 | - | 2,409 |
| Total Accumulated Surplus | 1,225,005 | (36,802) | 6,192 | 1,194,395 |

Note 9.1 Reserves Cont

| | Balance at beginning of reporting year \$'000 | Net Surplus \$'000 | Comprehensive Income \$'000 | Balance at end of reporting year \$'000 |
|---|--|-----------------------|-----------------------------------|---|
| 2020 Capital Reserve Government Grants | 192,394 | 2,989 | - | 195,383 |
| Capital Reserve Other Contributions | 21,364 | 34 | - | 21,398 |
| General Reserve | 991,269 | (8,329) | - | 982,940 |
| CBD Reserve | 16 | (97) | - | (81) |
| Investment in Water Corporation | 2,724 | - | - | 2,724 |
| Public Open Space | 343 | 55 | - | 398 |
| Self Insurance | 3,298 | 187 | - | 3,485 |
| Special Committees | 24 | 8 | - | 32 |
| Waste Centre Rehabilitation | 10,360 | 4,467 | - | 14,827 |
| Employee Benefits | 1,098 | - | 442 | 1,540 |
| Trusts and Bequests - Parks | 32 | - | - | 32 |
| Trusts and Bequests - Museum | 2,322 | 5 | - | 2,327 |
| Total Accumulated Surplus | 1,225,244 | (681) | 442 | 1,225,005 |
| | | | 2021 | 2020 |
| | | | \$'000 | \$'000 |
| Total Equity | | | 1,932,648 | 1,893,914 |

Note 9.2 (a) Reconciliation of cash flows from operating activities to surplus (deficit)

| | 2021 \$'000 | 2020 \$'000 |
|---|-----------------|----------------|
| Result from Continued Operations | (36,803) | (678) |
| Non-Cash Charges | | |
| Depreciation | 23,359 | 22,682 |
| Employee Provisions | 1,450 | 1,840 |
| Provision for Rehabilitation Movements | 1,389 | 2,835 |
| Allowance for Impaired Debts | 12 | 12 |
| Loss (Profit) on Sale of Non-current Assets | 4,453 | 13,676 |
| Changes in Assets and Liabilities | | |
| Rate and Sundry Receivables | 2,865 | 1,070 |
| Inventories | (177) | (3) |
| Sundry Creditors | 3,753 | (2,822) |
| Change in Value of Museum Collection | 34,523 | - |
| Non-Cash Income | | |
| Asset and Infrastructure Contributions | (2,496) | (21,412) |
| Investing Activities | | |
| Investment Revenue | (1,362) | (2,108) |
| Grants and Contributions Capital | (3,449) | (3,113) |
| Net Cash from Operating Activities | 27,517 | 11,979 |

(b) Reconciliation of Liabilities Arising from Financing Activities

| | Interest Bearing Loans and Borrowings | Lease Liabilities | Total |
|-----------------------------------|--|----------------------|---------------|
| Balance as at 1 July 2019 | 9,000 | 323 | 9,323 |
| Changes from Financing Cash Flows | | | |
| Cash Received | 6,000 | - | 6,000 |
| Cash Repayments | - | (33) | (33) |
| Balance as at 30 June 2020 | 15,000 | 290 | 15,290 |
| Changes from Financing Cash Flows | | | |
| Cash Received | 20,000 | - | 20,000 |
| Cash Repayments | - | (26) | (26) |
| Balance as at 30 June 2021 | 35,000 | 264 | 35,264 |

c) Reconciliation of Cash and Cash Equivalents

| | 2021 \$'000 | 2020 \$'000 |
|------------------------|----------------|----------------|
| Cash | 701 | 879 |
| Short Term Investments | 74,129 | 26,392 |
| | 74,830 | 27,271 |

| Note 9.3 Commitments | 2021 | 2020 |
|--|---------------|---------------|
| Capital Expenditure Commitments | \$'000 | \$'000 |
| Buildings | 888 | 130 |
| Plant and equipment | 656 | 702 |
| Roads | 1,177 | 279 |
| Drainage | 117 | 14 |
| Refuse | 1,985 | 145 |
| Flood | 37 | 25 |
| Parks | 737 | 112 |
| Other | - | 4,800 |
| Total Capital expenditure commitments | 5,597 | 6,207 |

Note 9.4 Contingent liabilities and contingent assets

Contingent liabilities

At the reporting date 30 June 2021 the Council had no contingent liabilities that would materially affect any of the amounts or disclosures in these accounts.

Note 9.5 Financial Instruments

(a) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and non-lease financial liabilities, both recognised and unrecognised, at balance date are as follows. For lease liabilities refer to Note 7.4

2021

| | Weighted average interest rate | Floating interest rate | Fixed interest maturing in: | | | | Total \$'000 |
|---|---|------------------------------|-----------------------------|--------------------------|--------------------------------|--------------------------------|-----------------|
| | | | \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 0.09% | 74,830 | - | - | - | - | 74,830 |
| Investments | 0.29% | - | 10,009 | - | - | - | 10,009 |
| Trade and other receivables | 0.00% | - | - | - | - | 5,166 | 5,166 |
| Deferred Receivables | | - | - | - | - | 258 | 258 |
| Investment in water corporation | | - | - | - | - | 225,702 | 225,702 |
| Total financial assets | | 74,830 | 10,009 | - | - | 231,126 | 315,965 |
| Financial liabilities | | | | | | | |
| Trade and other payables | | - | - | - | - | 9,060 | 9,060 |
| Trust funds and deposits | | - | - | - | - | 2,375 | 2,375 |
| Interest-bearing loans and borrowings | 1.66% | - | 9,000 | 26,000 | - | - | 35,000 |
| Total financial liabilities | | - | 9,000 | 26,000 | - | 11,435 | 46,435 |
| Net financial assets (liabilities) | | 74,830 | 1,009 | (26,000) | - | 219,691 | 269,530 |

Note 9.5 Financial Instruments (Continued)

2020

| | Weighted average interest rate | Floating interest rate | Fixed interest maturing in: | | | | Non-interest bearing \$'000 | Total \$'000 |
|---------------------------------------|---|------------------------------|-----------------------------|--------------------------------|--------------------------------|----------|-----------------------------------|-----------------|
| | | | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 1.57% | | 27,270 | - | - | - | - | 27,270 |
| Investments | 1.68% | | - | 33,074 | - | - | - | 33,074 |
| Trade and other receivables | 0.00% | | - | - | - | - | 8,031 | 8,031 |
| Deferred Receivables | | | - | - | - | - | 258 | 258 |
| Investment in water corporation | | | - | - | - | - | 208,957 | 208,957 |
| <i>Total financial assets</i> | | | <u>27,270</u> | <u>33,074</u> | <u>-</u> | <u>-</u> | <u>217,246</u> | <u>277,590</u> |
| Financial liabilities | | | | | | | | |
| Trade and other payables | | | - | - | - | - | 5,006 | 5,006 |
| Trust funds and deposits | | | - | - | - | - | 2,667 | 2,667 |
| Interest-bearing loans and borrowings | 2.66% | | - | - | 15,000 | - | - | 15,000 |
| <i>Total financial liabilities</i> | | | <u>-</u> | <u>-</u> | <u>15,000</u> | <u>-</u> | <u>7,673</u> | <u>22,673</u> |
| Net financial assets (liabilities) | | | <u>27,270</u> | <u>33,074</u> | <u>(15,000)</u> | <u>-</u> | <u>209,573</u> | <u>254,917</u> |

Note 9.5 Financial Instruments (Continued)

(b) Fair Value

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

| Financial Instruments | Total carrying amount as per Balance Sheet | | Aggregate net fair value | |
|---------------------------------------|---|------------------------|-------------------------------------|------------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 74,830 | 27,270 | 74,830 | 27,270 |
| Other financial assets | 10,009 | 33,074 | 10,009 | 33,074 |
| Trade and other receivables | 5,166 | 8,031 | 5,166 | 8,031 |
| Deferred Receivables | 258 | 258 | 258 | 258 |
| Investment in water corporation | 225,702 | 208,957 | 225,702 | 208,957 |
| Total financial assets | 315,965 | 277,590 | 315,965 | 277,590 |
| <i>Financial liabilities</i> | | | | |
| Trade and other payables | 9,060 | 5,006 | 9,060 | 5,006 |
| Trust funds and deposits | 2,375 | 2,667 | 2,375 | 2,667 |
| Interest-bearing loans and borrowings | 35,000 | 15,000 | 35,272 | 15,460 |
| Total financial liabilities | 46,435 | 22,673 | 46,708 | 23,133 |

(c) Credit Risk

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

(d) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

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

Interest rate risk

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

Note 9.5 Financial Instruments (Continued)

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases with the property owner. We manage interest rate risk on our net debt portfolio by:

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

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Treasury and Finance each year.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993*. We manage interest rate risk by adopting an investment policy that ensures:

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

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

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss.

Council has no material exposure to credit risk. All investments are first ranked deposits with Australian banks rated S&P A or higher. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our Investment Policy.

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Exposure at balance date is addressed in each applicable policy note.

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

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.

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

Note 9.5 Financial Instruments (Continued)

Credit quality of contractual financial assets that are neither past due nor impaired

| | Financial (minmum A credit rating) | Government (AA credit rating) | Other Unrated | Total |
|---|---|--|--------------------------|----------------|
| 2021 | | | | |
| Cash and cash equivalents | 74,830 | - | - | 74,830 |
| Trade and other receivables | - | - | 5,424 | 5,424 |
| Investments and other financial assets | 10,009 | 225,702 | - | 235,711 |
| Total contractual financial assets | 84,839 | 225,702 | 5,424 | 315,965 |
| 2020 | | | | |
| Cash and cash equivalents | 27,270 | - | - | 27,270 |
| Trade and other receivables | - | - | 8,289 | 8,289 |
| Investments and other financial assets | 33,074 | 208,957 | - | 242,031 |
| Total contractual financial assets | 60,344 | 208,957 | 8,289 | 277,590 |

Movement in Provisions for Impairment of Trade and Other Receivables

| | 2021 \$'000 | 2020 \$'000 |
|---|------------------------|------------------------|
| Balance at the beginning of the year | 1,300 | 1,535 |
| New Provisions recognised during the year | (49) | (69) |
| Amounts written off during the year | (267) | (166) |
| Balance at end of year | 984 | 1,300 |

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's Trade and Other Receivables was:

| | 2021 \$'000 | 2020 \$'000 |
|--|------------------------|------------------------|
| Current (not yet due) | 1,990 | 1,437 |
| Past due by up to 30 days | 560 | 84 |
| Past due between 31 and 90 days | 80 | 68 |
| Past due more than 90 days | 3,521 | 7,741 |
| Total Trade & Other Receivables | 6,150 | 9,331 |

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$200,201 (2019-20: \$285,809) were impaired. The amount of the provision raised against these debtors was \$200,201 (2019-20: \$286,809). The individually impaired debtors relate to general and sundry debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

Note 9.5 Financial Instruments (Continued)

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

| | 2021 | 2020 |
|---------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Post due over 90 days | 984 | 1,300 |
| Total Trade & Other Receivables | <u>984</u> | <u>1,300</u> |

Liquidity risk

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

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

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have a liquidity portfolio structure that requires surplus funds to be invested within various durations.
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods'

The table below lists the contractual maturities for Non-Lease Financial Liabilities. For lease liabilities refer to Note 7.4

These amounts represent the discounted cash flow payments (ie principal only).

| 2021 | 6 mths or less \$'000 | 6-12 months \$'000 | 1-2 years \$'000 | 2-5 years \$'000 | >5 years \$'000 | Contracted Cash Flow \$'000 | Carrying Amount \$'000 |
|---------------------------------------|--------------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|--|---------------------------------------|
| Trade and other payables | 9,062 | - | - | - | - | - | 9,062 |
| Trust funds and deposits | - | - | - | - | - | 2,375 | 2,375 |
| Interest-bearing loans and borrowings | | 9,000 | - | 26,000 | - | - | 35,000 |
| Total financial liabilities | 9,062 | 9,000 | - | 26,000 | - | 2,375 | 46,437 |

| 2020 | 6 mths or less \$'000 | 6-12 months \$'000 | 1-2 years \$'000 | 2-5 years \$'000 | >5 years \$'000 | Contracted Cash Flow \$'000 | Carrying Amount \$'000 |
|------------------------------------|--------------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|--|---------------------------------------|
| Trade and other payables | 5,008 | - | - | - | - | - | 5,008 |
| Trust funds and deposits | - | - | - | - | - | 2,667 | 2,667 |
| Interest-bearing loans | - | - | 9,000 | 6,000 | - | - | 15,000 |
| Total financial liabilities | 5,008 | - | 9,000 | 6,000 | - | 2,667 | 22,675 |

Note 9.5 Financial Instruments (Continued)

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months.

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

Cash investments and loans payable are fixed interest.

| | | Interest rate risk | | | |
|---------------------------|--------|--------------------|--------|-----------------|--------|
| | | -0.05% | | + 0.05% | |
| | | -5 basis points | | +5 basis points | |
| | | Profit | Equity | Profit | Equity |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 2021 | \$'000 | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | 74,830 | (37) | - | 37 | - |

| | | Interest rate risk | | | |
|---------------------------|--------|--------------------|--------|-----------------|--------|
| | | -0.05% | | + 0.05% | |
| | | -5 basis points | | +5 basis points | |
| | | Profit | Equity | Profit | Equity |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 2020 | \$'000 | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | 27,270 | (14) | - | 14 | - |

Note 9.6 Fair Value Measurements

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

- Investment in water corporation
- Property, infrastructure plant and equipment
 - Land
 - Buildings
 - Roads, including footpaths and cycleways
 - Drainage
 - Parks and Recreation
 - Flood Protection
 - Refuse Disposal

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 are disclosed in note 4.5.

Note 9.6 Fair Value Measurements Cont

(a) Fair Value Hierarchy

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

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2021.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

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

As at 30 June 2021

| | Note | Level 1 | Level 2 | Level 3 | Total |
|--|------|---------|---------|-----------|-----------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | | | |
| Investment in water | 5.1 | - | - | 225,702 | 225,702 |
| Land | 6.1 | - | 297,862 | - | 297,862 |
| Buildings | 6.1 | - | - | 185,892 | 185,892 |
| Roads, including footpaths | 6.1 | - | - | 650,457 | 650,457 |
| Drainage | 6.1 | - | - | 179,838 | 179,838 |
| Parks and Recreation | 6.1 | - | - | 48,789 | 48,789 |
| Flood Protection | 6.1 | - | - | 48,485 | 48,485 |
| Refuse Disposal | 6.1 | - | - | 21,738 | 21,738 |
| | | - | 297,862 | 1,360,901 | 1,658,763 |
| Non-recurring fair value measurements | | | | | |
| Assets held for sale | | 4,518 | - | - | 4,518 |
| | 4.5 | 4,518 | - | - | 4,518 |

Note 9.6 Fair Value Measurements Cont

(a) Fair Value Hierarchy

As at 30 June 2020

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | | |
| Investment in water | 5.1 | - | - | 208,957 | 208,957 |
| Land | 6.1 | - | 277,367 | - | 277,367 |
| Buildings | 6.1 | - | - | 176,483 | 176,483 |
| Roads, including footpaths | 6.1 | - | - | 633,142 | 633,142 |
| Drainage | 6.1 | - | - | 173,987 | 173,987 |
| Parks and Recreation | 6.1 | - | - | 47,824 | 47,824 |
| Flood Protection | 6.1 | - | - | 43,620 | 43,620 |
| Refuse Disposal | 6.1 | - | - | 17,707 | 17,707 |
| | | - | 277,367 | 1,301,720 | 1,579,087 |
| Non-recurring fair value measurements | | | | | |
| Assets held for sale | 4.5 | 4,518 | - | - | 4,518 |
| | | 4,518 | - | - | 4,518 |

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 end of the reporting period.

The following assets / liabilities that are measured at fair value on a recurring basis have been subject to a transfer between levels of the hierarchy.

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

(b) Highest and best use

AASB 13 Fair Value Measurement, requires the fair value of non-financial assets to be calculated based on their "highest and best use". At the reporting date all assets at fair value are utilised at their highest and best use as public assets.

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

Level 2 Measurements (recurring and non-recurring)

Level 2 assets are measured at the Valuer General's valuation.

Level 3 Measurements (recurring and non-recurring)

Level 3 assets are measured at their replacement cost. Inputs used are cost of materials, cost of labour and other intangible costs.

Investment in water corporation

Refer to Note 5.1 for details of valuation techniques used to derive fair values.

Land - including land under roads

Land is measured at the Valuer General's valuation.

Note 9.6 Fair Value Measurements Cont

(b) Highest and best use Cont

Buildings

Buildings are measured at their current replacement cost, as valued by LG Valuation Services on 1 January 2018.

Replacement costs are measured at 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.

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 3.4

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 table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

The methods for calculating CRC are described under individual asset categories

Roads and Bridges (including footpaths)

Roads are measured at their depreciated replacement costs.

Replacement costs are measured at 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. Road asset costs were last indexed on 1 April 2021.

Drainage

Drainage infrastructure is measured at their depreciated replacement cost.

Replacement costs are measured at 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.

Drainage asset costs were last indexed on 1 April 2021.

Flood

Flood infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at 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. Flood assets were revalued on 1 April 2021.

Note 9.6 Fair Value Measurements Cont

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

Refuse

Refuse infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at 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. Refuse asset costs were last indexed on 1 April 2021.

Parks

Parks infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at 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. Parks asset costs were last indexed on 1 April 2021.

(d) Unobservable inputs and sensitivities

| Fair Value | \$,000 | Valuation Technique | Key Unobservable Input | Effect of Change on Fair Value |
|---------------------------------|---------|---------------------|---------------------------------|--|
| Investment in Water Corporation | 225,702 | % of net assets | Value of net assets | Value will increase or decrease as the value of the Water Corporation moves. |
| Buildings | 185,892 | Market Valuation | Movements in market value | Value will increase or decrease with movements in market values |
| Roads | 650,457 | Input costs per m2 | Input Costs | Value will increase or decrease with movements in input costs |
| Drainage | 179,838 | Replacement cost | Individual costs of replacement | Value will increase or decrease with movements in replacement cost inputs |
| Flood Protection | 48,485 | Replacement cost | Individual costs of replacement | Value will increase or decrease with movements in replacement cost inputs |
| Parks and Recreation | 48,789 | Replacement cost | Individual costs of replacement | Value will increase or decrease with movements in replacement cost inputs |

(e) Changes in recurring level 3 fair value measurements

| | 2021 \$'000 | 2020 \$'000 |
|--|------------------|------------------|
| <i>Balance at beginning of reporting period</i> | 1,301,720 | 1,330,259 |
| Gain/loss recognised in profit or loss | (19,452) | (18,847) |
| Gain/loss recognised in other comprehensive income- | 63,817 | (47,921) |
| Acquisitions | 19,292 | 48,031 |
| Disposals | (4,476) | (9,802) |
| Transfers into level 3 | | |
| Transfers out of level 3 | | |
| <i>Closing balance</i> | 1,360,901 | 1,301,720 |

Note 9.6 Fair Value Measurements Cont

(f) Valuation processes

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation and investment property (recurring fair value measurements) is set out in notes 5.1 and 6.1 respectively.

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

The asset valuation is based on the asset replacement cost at the end of its useful life. The asset replacement cost is defined as the total project cost of the asset, which includes design, project management and construction costs including supply of all materials. Valuations have been prepared with consideration of the current cost of delivering infrastructure projects, contractor rates, modern renewal / rehabilitation practice, asset componentisation and benchmarked rates. Except where stated below all valuations are performed utilising the Council's staff. The method of valuation is reviewed annually.

| Asset Group | Basis of Valuation |
|-----------------------------|---|
| Drainage | <ul style="list-style-type: none"> - Rates per metre for various diameters of pipelines and include house connections and fittings allowance - Rates vary depending on whether beneath private or public land. - Manholes. identify number and allow for an average size - "Chamber Manholes". identify number and allow for an average size - Gully pits. identify number and allow for connections <p>No allowance for kerb adaptors or connections to kerbs</p> |
| Roads | <ul style="list-style-type: none"> - Pavement (road sub base and base) m² - Kerb and Channel in metres left and right - Road surface m² - Footpath m² left and right - Verge (includes guide posts, table drains, bollards as a count and guardrails in linear metres). - Street Light Poles valued individually (LCC's poles – those with only a light, as distinct from Aurora's – those with wires and a light). |
| Asset Group | Basis of Valuation |
| Bridges | <ul style="list-style-type: none"> - Bridge – type includes timber, concrete and steel – for vehicles and or - Culvert – includes box culverts in m² or reinforced concrete pipe in diameter size and location. |
| Buildings | <ul style="list-style-type: none"> - Independent market valuation. |
| Parks and Recreation | <ul style="list-style-type: none"> - Improved grounds m² - Trees are based on a standard unit price - Fencing is valued based on a linear metre on material type - Furniture and fittings are based total number across facilities - Under surface based on m² - Playgrounds based on components and type of system |

Note 9.6 Fair Value Measurements Cont

(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.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in this note and provided by Tascorp (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).

Note 9.7 Events occurring after balance date

There were no material events or transactions after the reposting date relating to the reporting period.

Note 9.8 Prior period errors

Roads assets

In preparation of the 2020-21 financial statements, Council identified road assets, including land under roads that had been incorrectly recognised as a result of a road swap with the State Government. Council recognised assets before legal title had passed to Council. Council recognised these assets as a non-monetary contribution. This resulted in an overstatement of non monetary contributions of \$10,452,000.

In addition a section of road was transferred from Council to the State Government but was not disposed of by Council. The value of the transferred asset was \$1,055,000.

A further asset was awaiting transfer to the State Government. This has been reclassified as Asset Held for Sale of \$1,116,288.

In total the value of the land under roads was overstated by \$2,271,410 and the value of roads assets was overstated by \$10,352,243.

Parks assets

Council identified an error in a prior year calculation for depreciation.

The accumulated depreciation value for parks assets was overstated by \$444,390.

Museum collection

In a prior valuation of the museum collection a number of populations within the natural sciences and fine arts collections were incorrectly excluded from the valuation which resulted in an understatement of \$11,961,158.

City of Launceston
2020-2021 Financial Report

Note 9.8 Prior period errors Cont

| | 2020 Unadjusted | Prior Period Error 1 | Prior Period Error 2 | Prior Period Error 3 | 2020 Adjusted |
|---|----------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Statement of Changes in Equity | | | | | |
| Total equity 30 June 2019 | 1,897,054 | | | 11,962 | 1,909,016 |
| Adoption of AASB 16 | (18) | | | | (18) |
| Surplus / (deficit) | 10,827 | | (11,507) | | (680) |
| Net asset revaluation | 47,950 | 444 | | | 48,394 |
| Other comprehensive income | (62,796) | | | | (62,796) |
| Balance 30 June 2020 | 1,893,017 | 444 | (11,507) | 11,962 | 1,893,916 |
| Statement of Financial Position | | | | | |
| Assets held for sale | 3,402 | | 1,116 | | 4,518 |
| Property, Infrastructure and Plant and Equipment | 1,413,952 | 444 | (12,623) | | 1,401,773 |
| Museum collection | 240,783 | | | 11,962 | 252,745 |
| Accumulated Surplus | 1,236,513 | | (11,507) | | 1,225,006 |
| Reserves | 656,504 | 444 | | 11,962 | 668,910 |
| Total equity | 1,893,017 | 444 | (11,507) | 11,962 | 1,893,916 |
| Statement of Comprehensive Income | | | | | |
| Contributions - non monetary assets | 31,865 | | (10,452) | | 21,413 |
| Net gain (loss) on disposal of Property, Infrastructure and Plant and Equipment | (12,621) | | (1,055) | | (13,676) |
| Surplus / (deficit) | 10,827 | | (11,507) | | (680) |
| Net asset revaluation | 47,950 | 444 | | | 48,394 |
| Total comprehensive result | (4,019) | 444 | (11,507) | | (15,082) |

Note 10 Other matters

Note 10.1 Related party transactions

Accounting Standards Disclosures

AASB 124 Related Party Disclosures

AASB 124 requires the disclosure of related party relationships, transactions and outstanding balances, including commitments.

Related Parties

The Council's Related Parties are those that it controls or can exert significant influence over. For the reporting year Council has no Related Parties that it controls or can exert significant influence over.

Key Management Personnel

Key Management Personnel are those who, directly or indirectly, have authority for planning, directing and controlling the activities of the Council.

The Council has interpreted the definition of Key Management Personnel to include the Mayor, Deputy Mayor, Councillors, General Manager and the Executive.

Local Government Act Disclosures

Councillor's Disclosure

Pecuniary Interests

Councillors are required to disclose pecuniary interests in matters which come before the Council. In addition, under section 84(2) of the *Local Government Act 1993*, the Council is required to "specify any interests as notified to the General Manager of any Councillor in respect of any body or organisation with which the Council has major financial dealings."

Allowances

Section 72(cb) of the *Local Government Act 1993* requires a statement of the total allowances and expenses paid to the Mayor, Deputy Mayor and Councillors.

Remuneration of Senior Officers

Section 72(1)(cd) of the *Local Government Act 1993*, requires the Council to report the total annual remuneration paid to employees who hold positions designated by the Council as senior positions. The Council has determined that senior positions comprise General Manager and Executive positions.

Key Management Personnel Compensation

| | 2021 | 2020 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Councillors | | |
| Short Term Benefits (Allowances) | 555 | 546 |
| Short Term Benefits (Expenses) | 21 | 23 |
| | <u>576</u> | <u>569</u> |
| Long Term Benefits | - | - |
| | <u>576</u> | <u>569</u> |

Note 10.1 Related party transactions (Continued)

| Senior Officers Remuneration | 2021 | | 2020 | |
|---------------------------------|----------|------------|----------|------------|
| | Actual | Annualised | Actual | Annualised |
| \$20,001 - \$40,000 | 1 | - | - | - |
| \$60,001 - \$80,000 | - | - | 1 | - |
| \$140,001 - \$160,000 | - | - | - | 1 |
| \$160,001 - \$180,000 | 1 | 1 | 2 | 1 |
| \$200,001 - \$220,000 | 1 | 2 | 1 | 1 |
| \$220,001 - \$240,000 | 2 | 2 | 3 | 4 |
| \$240,001 - \$260,000 | 1 | 1 | - | - |
| \$300,001 - \$320,000 | 1 | 1 | - | 1 |
| | <u>7</u> | <u>7</u> | <u>8</u> | <u>8</u> |

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------|----------------|----------------|
| Senior Officers | | |
| Short Term Benefits | 1,264 | 1,265 |
| Long Term Benefits | 57 | (23) |
| Post Employment Benefits | 156 | 154 |
| Termination Benefits | 7 | 153 |
| | <u>1,484</u> | <u>1,549</u> |

Related Party Transactions

Transactions

| | | |
|--------------------------------|----------|--------------|
| Sales of Goods and Services | - | 3 |
| Purchase of Goods and Services | - | 1,786 |
| | <u>-</u> | <u>1,789</u> |

Loans to Key Management Personnel - -

Outstanding Balances owed by Key Management Personnel - 1

Sales of Goods and Services

The Council sold goods or services to five organisations that Key Management Personnel have control or significant influence over.

These sales were at arms length and on normal commercial terms.

Purchase of Goods and Services

The Council purchased no goods and services from, or made no contributions to organisations that Key Management Personnel or their close associates have significant influence or control over during the reporting year.

Contributions totalled \$0 (\$119,550) and purchases totalled \$0 (\$1,665,963). These transactions were at arms length and on normal commercial terms or through open tender.

Note 10.1 Related party transactions (Continued)

Ordinary Citizen Transactions

The City of Launceston enters into transactions with Key Management Personnel and their Related Parties within a normal customer relationship i.e. payments of rates, dog registration and the use of facilities such as car parks. These transactions are at arms length on terms and conditions no more favourable than those available to the broader community.

These transactions are not included in these disclosures.

Note 10.2 Special Committees

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Committee Name | | |
| Dilston Hall | 7 | 6 |
| Lebrina Progress Association | 11 | 9 |
| Lilydale Memorial Hall Committee | 13 | 10 |
| North Esk Memorial Hall and Recreational Ground | 8 | 7 |
| Balance - 30 June | <u>39</u> | <u>32</u> |
| Summary of Special Committees | | |
| Balance 1 July | 32 | 28 |
| Receipts | 10 | 7 |
| Expenses | (3) | (3) |
| Balance 30 June | <u>39</u> | <u>32</u> |

10.3 Interests in other entities

Launceston Flood Authority

This is a Single Authority set up under section 30 of the *Local Government Act 1993*.

This Authority was formed by Council resolution on 1 September 2008 and was established by gazettal on 10 September 2008. The authority was established to "...perform all tasks necessary for the construction and maintenance of flood levees, to initiate and manage effective emergency management procedures and to take all necessary measures, so as to address the flood risk to the 'flood risk area'".

The Authority is 100% owned by Council and holds no assets in it's own name.

| Revenue and Expenses | \$'000 | \$'000 |
|--------------------------------|--------------|--------------|
| Revenue | | |
| State Government Grants | 540 | 536 |
| Commonwealth Government Grants | - | - |
| Launceston City Council | 182 | 182 |
| Interest Income | 3 | 7 |
| Other Income | - | - |
| Total Revenue | <u>725</u> | <u>725</u> |
| Expenses | | |
| Operations Costs | 349 | 378 |
| Depreciation | 514 | 594 |
| Total Expenses | <u>863</u> | <u>972</u> |
| Surplus / (Deficit) | <u>(138)</u> | <u>(247)</u> |

Note 10.4 Other significant accounting policies and pending accounting standards

(a) Taxation

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

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of goods and services tax (GST) except for the case of receivables and payables which are recognised inclusive of GST.

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

(b) Impairment of non-financial assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value.

Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Other Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the depreciated value of the asset approximated by its written down replacement cost.

(c) Allocation between current and non-current

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

(d) Financial guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued.

The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

At the reporting date Council had no financial guarantee contracts.

Note 10.4 Other significant accounting policies and pending accounting standards

(e) Contingent assets, contingent liabilities and commitments

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

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

At the reposting date Council had no contingent assets or liabilities.

(f) Budget

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

(g) Adoption of new and amended accounting standards

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

AASB 1059 Service Concession Arrangements.

This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.

Council has no material service concession arrangements.

(h) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

AASB 2020-1 Classification of liabilities as current or non current

Amends AASB 101 to clarify the requirements for the presentation of liabilities in the statement of financial position as current and non current.

No material effects are expected as a result of adoption.

AASB 2020-3 Annual improvements

Amends AASB 1 to simplify the application by a subsidiary

Amends AASB 3 to update reference to the conceptual framework

Amends AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability and substantially different from the terms of the original liability

Amends AASB 116 to require an entity to include the sale proceeds from selling items produced while preparing an asset for its intended use.

Amends AASB 137 to specify the costs when assessing whether a contract will be loss making.

No material effects are expected as a result of adoption.

Note 10.4 Other significant accounting policies and pending accounting standards Cont

(h) Pending Accounting Standards Cont

AASB 2020-4 Covid rent concessions

This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications.

AASB 2021-3 Covid rent beyond 30 June 2021

Extends provisions of AASB 2020-4 by one year

No material effects are expected as a result of adoption of AASB 2020-4 and AASB2021-3

AASB 2020-8 Interest benchmark reform phase 2

This Standard amends AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139 to help entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements. No material effects are expected as a result of adoption.

AASB 2021-2 Disclosure of accounting polices and definition of estimates

Amends AASB 7, to clarify that information about measurement bases for financial instruments;

Amends AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amends AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

Amends AASB 134, to identify material accounting policy information as a component of a complete set of financial statements.

Amends AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

No material effects are expected as a result of adoption.

10.5 Significant Business Activities

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

| | Off Street Parking | | Launceston Aquatic | | LA fit | | Building Surveying and Certification | |
|--------------------------------|--------------------|----------------|--------------------|----------------|----------------|----------------|--------------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Revenue | | | | | | | | |
| Rates | - | - | - | - | - | - | - | - |
| User Charges | 3,020 | 2,790 | 3,205 | 2,247 | 1,404 | 949 | 592 | 392 |
| Grants | - | - | - | - | - | - | - | - |
| Total Revenue | 3,020 | 2,790 | 3,205 | 2,247 | 1,404 | 949 | 592 | 392 |
| Expenditure | | | | | | | | |
| Direct | | | | | | | | |
| Employee Costs | 230 | 295 | 1,975 | 1,908 | 404 | 354 | 212 | 185 |
| Materials and Contacts | 253 | 282 | 1,164 | 1,328 | 78 | 78 | 9 | 12 |
| Interest | - | - | - | - | - | - | - | - |
| Utilities | 76 | 83 | 272 | 155 | 14 | 8 | - | - |
| Indirect | | | | | | | | |
| Engineering and Administration | 190 | 434 | 249 | 276 | 56 | 37 | - | - |
| Total Expenses | 749 | 1,094 | 3,660 | 3,667 | 552 | 477 | 222 | 198 |

10.5 Significant Business Activities Cont

| | Off Street Parking | | Launceston Aquatic | | LA fit | | Building Surveying and Certification | |
|--|--------------------|----------------|--------------------|----------------|----------------|----------------|--------------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <i>Notional cost of free services received</i> | | | | | | | | |
| Capital Costs | | | | | | | | |
| Depreciation and amortisation | 416 | 403 | 793 | 815 | 78 | 78 | 3 | 3 |
| Opportunity cost of capital | 2,329 | 1,998 | 1,593 | 1,512 | 17 | 17 | 3 | 2 |
| Total Capital Costs | 2,745 | 2,401 | 2,386 | 2,327 | 95 | 95 | 5 | 5 |
| Competitive neutrality adjustments | | | | | | | | |
| Rates and land tax | 148 | 148 | 76 | 76 | 79 | 79 | - | - |
| Full Cost Attribution | 73 | 90 | 86 | 86 | 7 | 7 | 73 | 61 |
| | 221 | 238 | 162 | 162 | 86 | 86 | 73 | 61 |
| Calculated Surplus/(Deficit) | (695) | (943) | (3,003) | (3,909) | 671 | 291 | 292 | 128 |
| Tax Equivalent rate | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| Taxation equivalent | 490 | 317 | - | - | 207 | 92 | 87 | 39 |
| Competitive neutrality costs | 711 | 555 | 162 | 162 | 293 | 178 | 161 | 100 |
| Net Result Surplus / (Deficit) | (1,185) | (1,260) | (3,003) | (3,909) | 464 | 199 | 204 | 89 |

10.5 Significant Business Activities (Continued)

Accounting policy

Significant business activities

Competition Policy Compliance

Section 84(2)(da) of the *Local Government Act 1993* requires the Council's financial statements to contain a statement of the "operating, capital and competitive neutrality costs" in respect of each significant business activity.

The Act also requires specific disclosure of 'significant business activities'.

The Tasmanian Government guidelines for Significant Business identifies a Business Activity as one that operates in a competitive market.

Determining factors on whether the Council activity is significant include, but are not limited to:

- The relevant market
- The size of the local government activity compared to the whole market
- The competitive impact of the Council's activity in the market

Significant Business Activities

The Council conducted a review during the year to identify any significant business activities.

The activities disclosed below have been identified as Significant Business Activities.

The following items have been disclosed:

Labour Costs

Labour costs have been discounted by a factor of 1.25 for the variance between private and public sector average weekly ordinary time earnings.

Superannuation costs have been adjusted to the 10.0% Superannuation Guarantee Levy

Full Cost Attribution

Service costs applied to all the Council's operations in respect of internal services provided (e.g. accounting and computer support).

Competitive Neutrality Costs

Notional charges for expenses not normally incurred by Councils (e.g. council rates). As these costs are not actually incurred, the Council's "General Public Services" function has been credited with collection of these notional items.

Notional Income Tax

Notional income tax has been applied at the rate of 30% against accounting profit (excluding abnormal asset valuation adjustments) for significant business activities. The amounts are notional only as the entity is exempt from income tax.

Capital Costs

Depreciation has been allocated to functional areas within the operating statement. The notional opportunity cost of capital employed in respect of the function has been noted at the foot of the statement for significant business activities. It has been calculated by applying a rate of 5% to net assets employed.

Note 10.6 Management indicators

| | 2021 \$'000 | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|----------------|----------------|
| (a) Underlying surplus or (deficit) | | | | |
| Net result for the year | (36,803) | (678) | 20,306 | 16,678 |
| Less non-operating income | | | | |
| FAG Grant in Advance - Current Year | (2,353) | (2,235) | (2,261) | (2,174) |
| FAG Grant in Advance - Prior | 2,235 | 2,261 | 2,174 | 2,104 |
| Capital Grants and Contributions | (5,945) | (24,525) | (18,139) | (16,124) |
| Bequests | (115) | (134) | (157) | (126) |
| Capital Interest | - | - | (4) | (81) |
| Infrastructure Adjustments | - | - | (477) | 948 |
| Disaster Recovery Income | - | - | - | (525) |
| Add non-operational expenses | | | | |
| Assets Held for Sale | - | - | - | (841) |
| Unscheduled Loss on Disposal of Fixed Assets | 2,466 | 13,134 | 613 | 3,185 |
| Disaster Recovery Spending | - | - | - | 254 |
| Organisational Restructure | | | | |
| Redundancies | 60 | 1,381 | - | - |
| Covid 19 Pandemic Costs | 2,823 | 3,581 | - | - |
| Museum revaluation adjustment | 34,523 | - | - | - |
| Underlying surplus/(deficit) | <u>(3,109)</u> | <u>(7,215)</u> | <u>2,055</u> | <u>3,298</u> |
| Benchmark | 0 | 0 | 0 | 0 |

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

Comment

Council returned an underlying deficit of \$3.1m, against a budgeted underlying deficit of \$11.3m.

The decrease to the valuation of the QVMAG Collection was a \$34.5m expense hit to the Statement of Comprehensive Income due to a change in valuation methodology.

Council is still feeling the impact of the Covid-19 Pandemic. The freeze on Council rates is not captured in the Covid-19 Pandemic Costs noted in the table above, and represents in excess of \$2.2m lost revenue which will be compounded in future years.

(b) Underlying surplus ratio

| | | | | |
|------------------------------|----------------|----------------|--------------|--------------|
| Underlying surplus (Defecit) | <u>(3,109)</u> | <u>(7,215)</u> | <u>2,055</u> | <u>3,298</u> |
| Recurrent Income | 111,000 | 109,606 | 111,172 | 108,073 |
| Underlying surplus (Defecit) | | | | |
| Underlying surplus ratio % | -3% | -7% | 2% | 3% |
| Benchmark | 0% | 0% | 0% | 0% |

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

Note 10.6 Management indicators cont

Comment

Council has a benchmark of greater than 0% in its Long Term Financial Plan. Whilst not achieved in 2020/21, the Long Term Financial Plan details various strategies and actions to return to a small underlying surplus in the medium term.

| | 2021 | 2020 | 2019 | 2018 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (c) Net financial liabilities | | | | |
| Liquid assets less | 90,005 | 68,375 | 80,188 | 74,485 |
| Total liabilities | <u>75,658</u> | <u>48,912</u> | <u>39,277</u> | <u>36,984</u> |
| Net financial liabilities | <u>14,347</u> | <u>19,463</u> | <u>40,911</u> | <u>37,501</u> |
| Benchmark | 0 | 0 | 0 | 0 |

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

Comment

Council remains in position to be able to meet ongoing liabilities, through recurrent operational income.

(d) Net financial liabilities ratio

| | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <u>Net financial liabilities</u> | <u>14,347</u> | <u>19,463</u> | <u>40,911</u> | <u>37,501</u> |
| Recurrent income* | 111,000 | 109,606 | 111,172 | 108,073 |
| Benchmark | 0% - (50%) | 0% - (50%) | 0% - (50%) | 0% - (50%) |
| Net financial liabilities ratio % | 13% | 18% | 37% | 35% |

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

Comment

Council remains in position to be able to meet ongoing liabilities, through recurrent operational income

(e) Asset consumption ratio

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

Transport Infrastructure

| | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| <u>Depreciated replacement cost</u> | <u>650,457</u> | <u>633,142</u> | <u>618,318</u> | <u>590,498</u> |
| Current replacement cost | 1,002,735 | 967,372 | 938,070 | 891,976 |
| Benchmark | >60% | >60% | >60% | >60% |
| Asset consumption ratio % | 65% | 65% | 66% | 66% |

Note 10.6 Management indicators cont

| | 2021 \$'000 | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Buildings | | | | |
| <u>Depreciated replacement cost</u> | 185,892 | 176,483 | 172,657 | 163,845 |
| Current replacement cost | 302,777 | 276,865 | 273,842 | 262,647 |
| Benchmark | >60% | >60% | >60% | >60% |
| Asset consumption ratio % | 61% | 64% | 63% | 62% |
| Drainage | | | | |
| <u>Depreciated replacement cost</u> | 179,838 | 173,986 | 165,686 | 163,019 |
| Current replacement cost | 264,181 | 253,634 | 237,904 | 232,177 |
| Benchmark | >60% | >60% | >60% | >60% |
| Asset consumption ratio % | 68% | 69% | 70% | 70% |

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

Comment

Council is above the specified benchmark across each asset class. Council is constantly reviewing asset data and ensuring levels of service are in line with the Strategic Asset Management Plan.

(f) Asset renewal funding ratio

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

Transport Infrastructure

| | | | | |
|----------------------------------|---------|---------|---------|---------|
| <u>Projected capital funding</u> | 82,158 | 89,212 | 68,887 | 60,641 |
| Projected capital expenditure | 82,158 | 89,212 | 68,887 | 60,641 |
| Benchmark | 90-100% | 90-100% | 90-100% | 90-100% |
| Asset renewal funding ratio % | 100% | 100% | 100% | 100% |
| Buildings | | | | |
| <u>Projected capital funding</u> | 10,662 | 16,035 | 12,865 | 7,257 |
| Projected capital expenditure | 10,662 | 16,035 | 12,865 | 7,257 |
| Benchmark | 90-100% | 90-100% | 90-100% | 90-100% |
| Asset renewal funding ratio % | 100% | 100% | 100% | 100% |

Note 10.6 Management indicators cont

| | 2021 \$'000 | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Drainage | | | | |
| Projected capital funding | 3,410 | 4,550 | 4,415 | 1,935 |
| Projected capital expenditure | 3,410 | 4,550 | 4,415 | 1,935 |
| Benchmark | | | | |
| Asset renewal funding ratio % | 90-100% | 90-100% | 90-100% | 90-100% |
| Asset renewal funding ratio % | 100% | 100% | 100% | 100% |

** Current value of projected capital funding outlays for an asset identified in Council's long-term financial plan.

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

This ratio measures Council's capacity to fund future asset replacement requirements.

Comment

Council annually reviews both its Long Term Financial Plan and Strategic Asset Management Plan. There is a high degree of coordination between the two, to ensure consistency of information and that the funding requirements as identified in the Strategic Asset Management Plan can be accommodated within the Long Term Financial Plan.

(g) Asset sustainability ratio

| | 2021 \$'000 | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|----------------|----------------|
| <u>Capex on replacement/renewal of existing assets</u> | | | | |
| Annual depreciation expense | 16,552 | 17,059 | 15,375 | 15,020 |
| Annual depreciation expense | 23,359 | 22,682 | 21,584 | 20,090 |
| Benchmark | | | | |
| Asset sustainability ratio % | 100% | 100% | 100% | 100% |
| Asset sustainability ratio % | 71% | 75% | 71% | 75% |

This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base.

Comment

The Strategic Asset Management Plan identifies Council assets that are due for renewal, at which point Council staff will determine if renewal works are required and if so they are included in the annual capital budgeting process.

Note 10.6 Management indicators cont

| 2021 | Capital renewal \$'000 | Capital new /upgrade \$'000 | Total Capital Expenditure \$'000 |
|-------------------------|------------------------------|-----------------------------------|--|
| Land | - | 6 | 6 |
| Buildings | 2,431 | 1,621 | 4,052 |
| Transport Infrastructue | 10,447 | 1,041 | 11,488 |
| Stormwater and Drainage | 201 | 501 | 702 |
| Plant | 2,046 | 313 | 2,359 |
| Other | 1,427 | 9,520 | 10,947 |
| Total | 16,552 | 13,002 | 29,554 |

| 2020 | Capital renewal \$'000 | Capital new /upgrade \$'000 | Total Capital Expenditure \$'000 |
|-------------------------|------------------------------|-----------------------------------|--|
| Land | 242 | 1,902 | 2,144 |
| Buildings | 1,081 | 9,062 | 10,143 |
| Transport Infrastructue | 5,619 | 2,406 | 8,025 |
| Stormwater and Drainage | 282 | - | 282 |
| Plant | 3,258 | - | 3,258 |
| Other | 6,577 | 5,845 | 12,422 |
| Total | 17,059 | 19,215 | 36,274 |

Comment

Council conducts a comprehensive annual capital budgeting process, which includes a community consultation process, to balance the need renew existing assets while providing new/upgrade assets to our community. Several high cost new/upgrade projects were undertaken in 2020/21, including the landfill cell project at the Launceston Waste Centre, upgrades to Churchill Park sports fields, a new ash placement area at Carr Villa and upgrades to the Paterson Street West toilet and parenting facilities.

Certification of the Financial Report

The financial report presents fairly the financial position of the City of Launceston as at 30 June 2021 and the results of its operations and cash flows for the year then ended, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Leanne Hurst
Acting General Manager

Date : 8/10/2021