Queensland Audit Office
Better public services

Your ref:
Our ref: 2018-4139
Carolyn Dougherty 3149 6129

15 October 2018

Mr M Whittaker
Chief Executive Officer
Sunshine Coast Regional Council
Locked Bag 72
SUNSHINE COAST MAIL CENTRE QLD 4560

Dear Mr Whittaker

General Purpose Financial Statements—2017–18
Current-year Financial Sustainability Statement—2017–18

- Sunshine Coast Regional Council

The certified General Purpose Financial Statements are enclosed. I have issued an unmodified audit opinion.

Also enclosed is the Current Year Financial Sustainability Statement. Consistent with prior years and with all other councils, I have included an emphasis of matter paragraph in my auditor's report to highlight the use of the special purpose basis of accounting.

A copy of the General Purpose Financial Statements and Current year Financial Sustainability Statement has also been forwarded to the Minister for Local Government.

Yours sincerely

Carolyn Dougherty
Director

cc: Councillor Mark Jamieson, Mayor, Sunshine Coast Regional Council

Enc.

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Queensland Audit Office (QAO)

Sunshine Coast Regional Council

FINANCIAL STATEMENTS

For the year ended 30 June 2018

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Statements of Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated Restated 2017 $'000	Council 2018 $'000	Council Restated 2017 $'000	
Income						
Revenue						
Recurrent revenue						
Net rates and utility charges	3(a)	277,118	261,991	277,118	261,991	
Fees and charges	3(b)	58,061	56,060	56,050	53,978	
Rent and sales from contracts and recoverable works	3(c)	16,114	11,590	15,863	11,368	
Share of tax equivalents of associate	3(d)	27,069	12,847	27,069	12,847	
Dividend Income	3(e)	-	-	268	13,837	
Interest received	3(f)	31,782	32,605	31,699	32,516	
Share of profit of associate	14	44,789	50,829	-	-	
Grants, subsidies, contributions and donations	4(a)	15,797	19,977	14,122	19,581	
Total recurrent revenue		**470,730**	**445,898**	**422,190**	**406,118**	
Non-recurrent revenue						
Grants, subsidies, contributions and donations	4(b)	99,993	214,379	99,993	214,379	*
Total non-recurrent revenue		**99,993**	**214,379**	**99,993**	**214,379**	*
Total income		**570,723**	**660,276**	**522,183**	**620,497**	*
Expenses						
Recurrent expenses						
Employee benefits	5	(141,885)	(131,817)	(139,929)	(129,919)	
Materials and services	6	(191,798)	(177,137)	(188,443)	(174,972)	*
Finance costs	7	(10,938)	(10,418)	(10,886)	(10,369)	
Depreciation and amortisation	16, 17	(76,353)	(70,545)	(76,342)	(70,542)	*
Contributions to controlled entities	8	-	-	(1,464)	(1,400)	
Total recurrent expenses		**(420,974)**	**(389,917)**	**(417,064)**	**(387,201)**	*
Non-recurrent expenses						
Loss on disposal property, plant and equipment, and intangibles	9	(19,523)	(9,252)	(19,523)	(9,252)	
Movements in landfill and quarry provisions	20	(3,057)	(3,862)	(3,057)	(3,862)	
Assets transferred to third parties	9	(715)	(8,784)	(715)	(8,784)	
Revaluation decrement property, plant & equipment	9	-	(39,802)	-	(39,802)	
Total non-recurrent expenses		**(23,295)**	**(61,699)**	**(23,295)**	**(61,699)**	
Total expenses		**(444,269)**	**(451,616)**	**(440,359)**	**(448,900)**	
Net result/(deficiency) from continuing operations		**126,454**	**208,660**	**81,824**	**171,597**	
Discontinued Operations						
Profit / (Loss) for the year from discontinued operations	10	(3,448)	3,254	(3,448)	3,254	
Net result (deficiency) from discontinued operations		**(3,448)**	**3,254**	**(3,448)**	**3,254**	
Net result (deficiency)		**123,006**	**211,914**	**78,376**	**174,850**	*
Other comprehensive income						
Increase/(decrease) in asset revaluation surplus	22	57,651	(41,965)	57,651	(41,965)	
Total other comprehensive income		**57,651**	**(41,965)**	**57,651**	**(41,965)**	
Total comprehensive income for the year		**180,657**	**169,949**	**136,027**	**132,885**	*

** Comparative figures have been restated. Refer to Note 34 for details.*

*** Comparative figures have been adjusted for Discontinued Operations. Refer Note 10 for details.*

The above statements should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Sunshine Coast COUNCIL

Statements of Financial Position

As at 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated Restated 2017 $'000	Council 2018 $'000	Council Restated 2017 $'000	
Assets						
Current assets						
Cash and cash equivalents	11	292,118	283,987	290,202	282,368	
Trade and other receivables	12	22,086	16,273	17,518	16,116	
Inventories	13	17,278	9,697	17,206	9,594	
Other assets	15	23,896	25,829	23,848	25,770	
Assets held for Distribution	10	-	85,322	-	85,322	
Total current assets		**355,378**	**421,109**	**348,774**	**419,170**	
Non-current assets						
Trade and other receivables	12	460,458	440,330	460,958	440,830	*
Inventories	13	96,599	31,220	96,599	31,220	
Property, plant and equipment	16	3,937,831	3,782,629	3,937,744	3,782,615	*
Investment in associates	14	716,854	672,333	538,213	538,212	
Intangible assets	17	14,571	16,872	14,571	16,872	
Total non-current assets		**5,226,312**	**4,943,385**	**5,048,084**	**4,809,750**	*
Total assets		**5,581,691**	**5,364,494**	**5,396,858**	**5,228,920**	*
Liabilities						
Current liabilities						
Trade and other payables	18	78,236	52,902	73,100	52,391	
Borrowings	19	22,951	21,431	22,951	21,431	
Provisions	20	20,024	19,926	20,024	19,753	
Other liabilities	21	27,254	18,949	27,171	18,881	
Liabilities directly associated with assets held for distribution	10	-	2,384	-	2,384	
Total current liabilities		**148,465**	**115,593**	**143,246**	**114,840**	
Non-current liabilities						
Trade and other payables	18	1,333	1,464	1,333	1,384	
Borrowings	19	268,336	268,625	268,336	268,625	
Provisions	20	37,216	33,129	36,973	33,129	
Total non-current liabilities		**306,886**	**303,218**	**306,643**	**303,137**	
Total liabilities		**455,351**	**418,811**	**449,888**	**417,977**	
Net community assets		**5,126,340**	**4,945,683**	**4,946,970**	**4,810,943**	*
Community equity						
Asset revaluation surplus	22	904,819	847,168	904,819	847,168	
Retained surplus/(deficiency)		4,221,521	4,098,515	4,042,151	3,963,775	*
Total community equity		**5,126,340**	**4,945,683**	**4,946,970**	**4,810,943**	*

** Comparative figures have been restated. Refer to Note 34 for details.*
*** Comparative figures have been adjusted for Discontinued Operations. Refer Note 10 for details.*

The above statements should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Statements of Changes in Equity

For the year ended 30 June 2018

Consolidated	**Notes**	**Asset revaluation surplus $'000**	**Retained surplus $'000**	**Total $'000**	
For the year ended 30 June 2018					
Balance as at 1 July 2017 (Restated)		847,168	4,098,515	4,945,683	
Opening balance adjustment		-	-	-	
Increase (decrease) in asset revaluation surplus	22	57,651	-	57,651	
Net result		-	123,006	123,006	
Balance as at 30 June 2018		**904,819**	**4,221,521**	**5,126,340**	
For the year ended 30 June 2017					
Balance as at 1 July 2016		889,133	3,842,410	4,731,543	
Opening balance adjustment		-	44,191	44,191	
Increase (decrease) in asset revaluation surplus	22	(41,965)	-	(41,965)	
Net result		-	211,914	211,914	*
Balance as at 30 June 2017 (Restated)		**847,168**	**4,098,515**	**4,945,683**	*

Statements of Changes in Equity

For the year ended 30 June 2018

Council	**Notes**	**Asset revaluation surplus $'000**	**Retained surplus $'000**	**Total $'000**	
For the year ended 30 June 2018					
Balance as at 1 July 2017 (Restated)		847,168	3,963,775	4,810,943	
Opening balance adjustment		-	-	-	
Increase (decrease) in asset revaluation surplus	22	57,651	-	57,651	
Net result		-	78,376	78,376	
Balance as at 30 June 2018		**904,819**	**4,042,151**	**4,946,970**	
For the year ended 30 June 2017					
Balance as at 1 July 2016		889,133	3,744,734	4,633,867	
Opening balance adjustment		-	44,191	44,191	
Increase (decrease) in asset revaluation surplus	22	(41,965)	-	(41,965)	
Net result		-	174,850	174,850	*
Balance as at 30 June 2017 (Restated)		**847,168**	**3,963,775**	**4,810,943**	*

** Comparative figures have been restated. Refer to Note 34 for details.*
*** Comparative figures have been adjusted for Discontinued Operations. Refer Note 10 for details.*

The above statements should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Statements of Cash Flows

For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Cash flows from operating activities					
Receipts from customers		378,713	352,980	352,876	342,334
Payments to suppliers and employees		(338,871)	(326,863)	(313,330)	(316,263)
Interest and dividends received		59,119	59,288	59,037	59,200
Recurrent grants and contributions		14,122	19,581	14,122	19,581
Borrowing costs	7	(9,065)	(11,093)	(9,065)	(11,093)
Finance costs	7	(1,821)	750	(1,821)	701
Net cash inflow (outflow) from operating activities	29	**102,196**	**94,644**	**101,819**	**94,461**
Cash flows from investing activities					
Payments for property, plant and equipment		(191,261)	(176,964)	(191,178)	(176,947)
Net movement in loans and advances		(26,064)	-	(26,064)	-
Proceeds from sale of property, plant and equipment		83,027	3,440	83,027	3,440
Grants, subsidies, contributions and donations		38,993	46,790	38,993	46,790
Net cash inflow (outflow) from investing activities		**(95,306)**	**(126,734)**	**(95,223)**	**(126,717)**
Cash flows from financing activities					
Proceeds from borrowings		31,583	12,600	31,583	12,600
Repayment of borrowings		(30,351)	(16,523)	(30,351)	(16,523)
Net cash inflow (outflow) from financing activities		**1,232**	**(3,923)**	**1,232**	**(3,923)**
Net increase (decrease) in cash and cash equivalents held		8,123	(36,013)	7,828	(36,181)
Cash and cash equivalents at beginning of financial year		283,995	320,010	282,375	318,556
Cash and cash equivalents at end of the financial year		**292,118**	**283,995**	**290,202**	**282,375**
Additional Information					
Less: Cash held for distribution to discontinued operation	10	-	(7)	-	(7)
Total cash, cash equivalents & investments	11	**292,118**	**283,987**	**290,202**	**282,368**

Notes to Financial Statements

<u>For the year ended 30 June 2018</u>

1 Summary of Significant Accounting Policies

1.01 Basis of Preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1.02 Recurrent/Non-recurrent Classification

Revenue and expenditure are presented as "recurrent" or "non-recurrent" in the Statement of Comprehensive Income on the following basis:

Non-recurrent revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

Costs incurred on assets that will be transferred to and controlled by third parties are included in "Non-recurrent expenses".

The following transactions are classified as either "Non-recurrent income" or "Non-recurrent expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- discount rate adjustments to restoration provisions
- revaluations of property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

1.03 Basis of Consolidation

<u>Subsidiaries</u>

Council and its controlled entities together form the economic entity which is referred to in these financial statements as the consolidated entity. The financial statements of controlled entities are included in the consolidated financial statements where material by size or nature, from the date when control commences until the date when control ceases.

Transactions between Council and entities controlled by Council have been eliminated when preparing consolidated accounts. In addition, the accounting policies of controlled entities have been adjusted on consolidation where necessary, to ensure the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Information on controlled entities that have been consolidated is included in Note 27.

Council had an interest in three (3) subsidiaries during the year being Sunshine Coast Events Centre Pty Ltd, SunCentral Maroochydore Pty Ltd and Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust. Council wholly owns the issued shares of Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd. The shares and units in Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust were sold on 1 December 2017, on commencement of the 99 year lease with Palisade Investment Partners Pty Limited.

I.04 Constitution

The council is constituted under the *Queensland Local Government Act 2009* and is domiciled in Australia.

I.05 Adoption of New and Revised Accounting Standards

This year Council has applied *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* for the first time. As a result, Council has disclosed more information to explain changes in liabilities arising from financing activities (debt reconciliation). This information is presented in Note 31.

Some Australian Accounting Standards and interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon Council's future financial statements are:

AASB 9 Financial Instruments
This replaces *AASB 139 Financial Instruments: Recognition and Measurement*, and will change the classification, measurement and disclosures of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

At 30 June 2018 Council recognised an increased impairment of debts totalling $314,000 which increased the overall impairment provision to $481,957. These expenses are recognised as finance costs in the Statement of Comprehensive Income. If Council had applied *AASB 9* this year, this amount of impairment provision would have increased to an estimated $763,944.

Council will apply *AASB 9* from 1 July 2018.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

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

AASB 15 and AASB 1058 are effective for periods commencing 1 July 2019.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards. To date the following impact has been identified.

At 30 June 2018 Council had received pre-paid rates totalling $7.986 million. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied *AASB 1058* this year these rates would have been recognised as a liability in the Statement of Financial Position and Council's net result would decrease by $7.986 million.

AASB 16 Leases

Council has some operating leases that are not in the Statement of Financial Position. These will need to be included on the balance sheet when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

Council is still reviewing the impact of this standard on its future financial statements.

AASB 16 is effective for periods commencing 1 July 2019.

Other than the above standards, the amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report but have future commencement dates, are judged by management not likely to have a material impact on the financial statements.

1.06 Estimates and Judgements

Where necessary, judgements, estimates and assumptions have been used in preparing these financial statements.

Those that have a significant effect, or risk of causing an adjustment to Council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment - Note 16
Impairment of property, plant and equipment - Note 16
Provisions - Note 20
Contingencies - Note 24

1.07 Rounding and Comparatives

Amounts included in the financial statements are in Australian dollars (AUD) and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Restated balances are detailed in Note 34 and indicated with an asterix (*) throughout the financial statements.

1.08 Taxation

The Income of local government and public authorities is exempt from Income tax. However Council is subject to fringe benefits tax (FBT) and goods and services tax (GST) and payroll tax on certain activities. The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

Notes to Financial Statements

2 (a) Analysis of Results by Function
Components of Council Functions

Following Council endorsement of a new organisation structure in October 2017, Council's Departments were realigned and renamed to Groups. The prior year comparatives in Note 2(b) have not been realigned to the new structure, however the details of Components of Council Functions below, include both the prior year and current year description.

The activities relating to the Council's components reported on in Note 2(b) are as follows:

Mayor & CEO Group

The Mayor and CEO Group provides strategic support and advice to the Mayor, Councillors, CEO, Board of Management and the wider organisation. It delivers organisational leadership for key corporate initiatives, legal advice, audit compliance, statutory and corporate meeting management and facilitates government, business and community relationships. The Group is responsible for Audit and Assurance, Communication, Corporate Governance, Legal Services, Office of the CEO and Office of the Mayor.

Office of the Mayor and CEO (prior)

The Office of the Mayor and CEO provides strategic support and advice to the Mayor, Councillors, CEO, Executive Leadership Team and the wider organisation. The department delivers organisational leadership for key corporate initiatives, corporate governance, legal advice, audit compliance, statutory and corporate meeting management and facilitates government, business and community relationships.

Built Infrastructure Group

The Built Infrastructure Group is focussed on managing and maintaining the region's built infrastructure. The Group is responsible for Asset Management, Civil Asset Management, Parks and Gardens, Transport and Infrastructure Planning, Transport Infrastructure Management, Disaster Management and the Sunshine Coast Airport Expansion.

Infrastructure Services (prior)

Infrastructure Services is responsible for the delivery, operations and maintenance of Council's infrastructure, both the built and the natural environment. It encompasses all 'hard' infrastructure including, roads, drainage systems, canals, parks, buildings and facilities, as well as the pristine 'natural' assets such as waterways, bushlands, lakes and beaches. Operations include transport infrastructure management, quarries, civil asset management, fleet, parks and gardens, environmental operations, waste and resource management, major project delivery and disaster management.

Notes to Financial Statements

For the year ended 30 June 2018

Business Performance Group

The Business Performance Group is focussed on developing and managing the core capabilities that underpin the effective and efficient operation of the organisation and integrated performance reporting. The Group is responsible for Business Development, Digital Information Systems, Finance, People and Culture and Property Management.

Corporate Services (prior)

The Corporate Services Department plays a pivotal role in building a strong successful organisation capable of delivering on the community's vision and Council's strategic themes; identifying and putting into action best new way opportunities and driving service delivery excellence for our customers and the community. This department has primary responsibility for finance, human resources, information and communication technology, property management and procurement.

Customer Engagement and Planning Services Group

The Customer Engagement and Planning Services Group is focussed on providing strategic and operational services to business and the community. The Group is responsible for Customer Response, Development Services, Strategic Planning, and Waste and Resource Management.

Community Services (prior)

Community Services Department plays a pivotal role in building a strong and successful organisation, capable of delivering on the community's and Council's vision by providing contemporary leadership in the functional areas of community capacity building and partnerships and service delivery. Major areas of focus include community planning and development, sport, recreation and cultural venues, environmental health, pest control, regulated parking, cemeteries, libraries, art galleries and community events.

Economic and Community Development Group

The Economic and Community Development Group aims to drive the identification of new economic opportunities for the region while ensuring a balanced focus on developing, supporting and/or delivering opportunities (social, cultural and economic) that each of the region's many communities expect to enjoy. The Group is responsible for Arts Heritage and Library, Community Planning and Development, Economic Development, and Sport and Community Venues.

Economic Development and Major Projects (prior)

The Economic Development and Major Projects Department focuses on strategic planning and management for both the region and the organisation. The department is responsible for the coast's economic development and corporate strategy. This includes Council's commercial entities and strategic marketing. This department has responsibility for major commercial projects, communications, economic development, strategy and coordination, strategic property and operating the Sunshine Coast Airport and Sunshine Coast Holiday Parks.

Liveability and Natural Assets Group

The Liveability and Natural Assets Group is focussed on planning and delivery of the 'big picture' for the region. Balancing the need for residential, commercial, environmental and infrastructure development to meet the needs of the region's growing population, sustainably. The Group is responsible for Design and Place making Services, Environmental and Sustainability Policy, Environmental Operations, Project Delivery and Urban Growth Projects.

Planning and Environment Department (prior)
The Planning and Environment Department prepares the integrated policy and strategy framework for the region covering land use, environment, transportation, open space, flooding and drainage and social infrastructure. It also deals with the various aspects relating to development covering planning applications, subdivisions, engineering and landscaping works, building and plumbing through to compliance with associated legislative requirements. These functions contribute to sustainable development by planning for growth and facilitating change, providing reliable information and advice, protecting and enhancing our environment and lifestyle, building prosperous communities, planning for infrastructure and advocating for the community.

Region Making Projects

Region Making Projects includes Council's current major projects being Maroochydore City Centre, Sunshine Coast Airport Runway and the Sunshine Coast International Broadband Network.

Maroochydore City Centre

The Maroochydore City Centre is located on a 53ha greenfield site in the heart of Maroochydore. The centre is planned to include commercial, retail and dining precincts, entertainment, convention and exhibition facilities, a premium hotel and city living precinct, with an anticipated 40 per cent of the site to be retained as parks and waterways. It aims to be a smart city containing Australia's first, high-tech automated waste collection system for a CBD along with high speed fibre optic digital connections and a range of innovations such as smart lighting and signage, and technology that assists parking, traffic management and provides real time information for public transport.

This is a long term project, expected to take approximately 20 years, with the bulk of the development being completed in stages, except where it is more appropriate to have a 'whole of project' approach such as the construction of waterways and underground services.

Stage 1A is significantly complete with finalisation anticipated for the first quarter of 2018/19.
Titles have been issued for Stage 1A of the development. One lot has settled and 99% of the remaining lots in the core commercial precinct are under negotiation or contract.

Sunshine Coast Airport Runway

The Runway Project aims to deliver a new 2450m x 45m runway that will enable direct flights to more destinations across Australia, Asia and the Western Pacific.

Council has partnered with Palisade Investment Partners Limited who will operate the airport under a 99 year lease which commenced on 1 December 2017. The transfer of the airport business is represented as a Discontinued Operation with further details in Note 10.

Council received $67 million on commencement of the lease with a further $15 million (plus interest of 3% per annum) to be provided on 30 June 2022. In addition, Council will receive 5% of gross airport revenue over the 99 year lease term.

Council has maintained responsibility for facilitating the airport expansion project, which includes construction of a new runway, apron expansion and related infrastructure. Council will receive $290 million from Palisade on the later of completion of the new runway or 30 June 2022.

Council entered into a contract for construction of the new runway during 2017/18. It is envisaged the new runway will be open and operating by the end of 2020.

Sunshine Coast International Broadband Network

This project aims to deliver a new international broadband network to the Sunshine Coast. Council has signed an agreement with RTI-C to deliver the undersea component of the project while Council will retain responsibility for the landside infrastructure required to deliver the project. The total project cost is expected to be $35 million some of which will require payment in USD.

Notes to financial statements

For the year ended 30 June 2018

2 (b) Analysis of results by function

	Gross program income		Elimination of inter-function transactions	Total Income	Gross program expense		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent	Non-recurrent			Recurrent	Non-recurrent					
	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000
Built Infrastructure	41,020	6,533	(31,776)	15,778	(191,308)	(10,750)	39,819	(162,239)	(142,245)	(146,462)	3,228,822
Customer Engagement and Planning Services	110,271	67	(22,150)	88,188	(131,443)	(3,103)	37,224	(97,322)	(6,098)	(9,134)	98,474
Economic and Community Development	20,003	-	13,130	33,133	(85,489)	(4,085)	4,036	(85,538)	(48,320)	(52,404)	184,749
Liveability and Natural Assets	22,228	89,970	(11,660)	100,537	(58,457)	(85)	19,398	(39,144)	(28,492)	61,393	73,638
Region Making Projects	756	-	-	756	(5,622)	(5,067)	300	(10,389)	(4,567)	(9,633)	165,875
Business Performance	373,260	3,423	(66,162)	310,521	(57,732)	(206)	24,436	(33,502)	273,803	277,019	1,644,048
Mayor and CEO Group	13,552	-	(13,483)	69	(15,667)	-	6,890	(8,777)	(8,708)	(8,708)	1,252
Controlled Entities Net of Eliminations	21,741	-	-	21,741	(3,910)	-	-	(3,910)	17,831	17,831	184,833
Less Discontinued operations		-	-	-	(3,448)	-	-	(3,448)	(3,448)	(3,448)	-
Total Consolidated Continuing Operations	**602,832**	**99,993**	**(132,101)**	**570,723**	**(553,076)**	**(23,295)**	**132,102**	**(444,269)**	**49,756**	**126,454**	**5,581,691**

Notes to financial statements

For the year ended 30 June 2017

2 (b) Analysis of results by function

	Gross program income		Elimination of inter-function transactions	Total Income	Gross program expense		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent	Non-recurrent			Recurrent	Non-recurrent					
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Infrastructure Services	98,641	145,584 *	(36,479)	207,747 *	(244,598)	(20,519)	50,845	(214,272)	(131,591)	(6,525) *	3,253,218
Economic Development & Major Projects	52,291	-	(7,619)	44,672	(60,644)	(15,850)	15,077	(61,417)	(895)	(16,745) *	136,474
Community Services	29,832	-	(15,352)	14,480	(94,809)	(1,302)	27,929	(68,182)	(52,400)	(53,702)	154,107
Planning and Environment	46,282	64,213	(15,686)	94,809	(67,566)	(850)	26,366	(42,050)	(10,605)	52,759	22,289
Region Making Projects	-	-	-	-	(20,155)	(13,884)	463	(33,576)	(19,692)	(33,576)	131,582
Corporate Services	319,633	4,581	(45,250)	278,964	(32,747)	(9,295)	2,939	(39,103)	244,575	239,862	1,527,478
Office of the Mayor and CEO	8,241	-	(8,200)	42	(12,229)	-	4,965	(7,263)	(7,222)	(7,222)	1,515
Controlled Entities Net of Eliminations	39,779	-	-	39,779	(2,716)	-	-	(2,716)	37,063	37,063	138,779
Discontinued operations	(20,216)	-	-	(20,216)	16,962	-	-	16,962	(3,254)	(3,254)	(948)
Total Consolidated Continuing Operations	**574,484**	**214,379** *	**(128,585)**	**660,276** *	**(518,502)**	**(61,699)**	**128,585**	**(451,616)**	**55,980**	**208,660** *	**5,364,494**

** Comparative figures have been restated. Refer to Note 34 for details.*

*** Comparative figures have been adjusted for Discontinued Operations. Refer Note 10 for details.*

3 Revenue analysis

Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.

(a) Net rates and utility charges

Rates are recognised as revenues at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
General rates	215,069	205,295	215,069	205,295
Waste management	50,274	47,907	50,274	47,907
Tourism and special levies	13,866	10,931	13,866	10,931
Environment levy	9,876	9,358	9,876	9,358
Rural fire levy	444	411	444	411
Valuation fees	98	101	98	101
	289,628	274,002	289,628	274,002
Total rates and utility charge revenue				
Less: discounts	(8,528)	(8,124)	(8,528)	(8,124)
Less: pensioner remissions	(3,095)	(3,084)	(3,095)	(3,084)
Less: rebates	(887)	(803)	(887)	(803)
	(12,510)	(12,011)	(12,510)	(12,011)
Net rates and utility charges	**277,118**	**261,991**	**277,118**	**261,991**

(b) Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Application fees (development)	9,038	6,290	9,038	6,290
Holiday parks	16,265	15,951	16,265	15,951
Cemetery fees	1,104	1,061	1,104	1,061
Parking fees	599	452	599	452
Refuse tip fees	6,706	5,938	6,706	5,938
Registration fees	1,174	1,059	1,174	1,058
Search fees	1,123	1,161	1,123	1,161
Waste service charges	465	457	465	457
Change of ownership fees	959	999	959	999
Fines and penalties	3,088	3,461	3,088	3,461
Venue hire	1,211	1,224	1,211	1,224
Development services	9,217	10,400	9,217	10,400
Permits and licences	1,386	1,343	1,386	1,343
Other fees and charges	5,727	6,261	3,716	4,180
	58,061	**56,060**	**56,050**	**53,978**

(c) Rent and sales from contracts and recoverable works

Rent from investment and other property is recognised as income on a periodic straight line basis over the term of the lease. The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Lease revenue	1,436	1,379	1,186	1,157
Recoverable works	831	345	831	742
Sale of recyclables	2,824	2,233	2,824	2,233
Other revenue	11,022	7,633	11,022	7,236
	16,114	**11,590**	**15,863**	**11,368**

Notes to the Financial Statements
For the Year Ended 30 June 2018

(c) Rent and sales from contracts and recoverable works (continued)

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at year end. The contract work carried out is not subject to retentions.

(d) Share of tax equivalents of associate

Unitywater pays Council an income tax equivalent in accordance with the requirements of the *Local Government Act 2009*. Unitywater is subject to the tax equivalents regime. The income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
	27,069	**12,847**	**27,069**	**12,847**

(e) Dividend income

Dividend income represents the participation return from Council's share in Unitywater as per the Participation Agreement. Dividends are recognised once they are formally declared by the directors of Unitywater, which is an associate of Sunshine Coast Regional Council.

	-	**-**	**268**	**13,837**

(f) Interest received

Interest received is accrued over the term of the investment.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Interest received from associate	22,502	23,154	22,502	23,154
Interest received from cash and term deposits	8,614	8,754	8,532	8,665
Interest from overdue rates and utility charges	665	697	665	697
	31,782	**32,605**	**31,699**	**32,516**

4 Grants, subsidies, contributions and donations

Grants, subsidies, contributions and donations that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of the funds. Granted assets are normally recognised upon the earlier of their receipt or prior notification that the grant has been secured.

Physical asset contributions and donations are recognised as revenue when Council obtains control of the assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expense. All non-cash contributions are recognised at fair value as at the date of acquisition.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

(a) Recurrent revenue	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Government grants and subsidies commonwealth	11,056	15,982	11,056	15,982
Government grants and subsidies state	2,594	2,149	2,594	2,149
Grants and subsidies other	3	-	3	-
Contributions and donations	2,146	1,846	470	1,451
	15,797	**19,977**	**14,122**	**19,581**

Notes to the Financial Statements

For the Year Ended 30 June 2018

(b) Non-recurrent revenue

Non-recurrent revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investments in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Government grants and subsidies commonwealth	1,002	8,074	1,002	8,074
Government grants and subsidies state	7,487	8,652	7,487	8,652
Developer contributions	31,570	30,064	31,570	30,064
Infrastructure from developers at fair value	61,000	168,222	61,000	168,222
	101,059	**215,012**	**101,059**	**215,012**
Total Non-recurrent revenue				
Less: discount allowed developer contributions *	(1,066)	(633)	(1,066)	(633)
* *Previously recognised in materials*				
Net Non-recurrent revenue	**99,993**	**214,379**	**99,993**	**214,379**

5 Employee benefits

		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Total wages and salaries		112,269	104,260	110,614	102,601
Councillors' remuneration *		1,765	1,739	1,765	1,739
Annual, sick and long service leave entitlements		18,977	17,079	18,831	17,042
Superannuation	25	19,712	18,662	19,557	18,582
		152,723	**141,740**	**150,767**	**139,964**
Other employee related expenses		3,573	3,943	3,573	3,821
		156,296	**145,683**	**154,340**	**143,784**
Less: Capitalised employee expenses		(14,404)	(13,866)	(14,404)	(13,866)
Less: Employee expenses transferred to third parties		(8)	-	(8)	-
		141,885	**131,817**	**139,929**	**129,919**

* Councillor remuneration represents salary, superannuation contributions and other allowances paid in respect of carrying out their duties.

	Consolidated		Council	
Total Council full time equivalent employees at the reporting date:	2018	2017	2018	2017
Elected Members	11	11	11	11
Staff	1,645	1,587	1,616	1,560
Total full time equivalent employees	**1,656**	**1,598**	**1,627**	**1,571**

6 Materials and services

	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Advertising	2,013	1,646	2,013	1,646
Audit of annual financial statements by the Auditor General of Queensland	288	251	261	251
Consultancy fees	8,141	6,431	8,141	6,431
Commissions paid	3,048	2,866	3,048	2,866
Contract services parks and gardens	16,008	14,154	16,008	14,154
Contract services waste collection	28,999	27,545	28,999	27,545
Contract services environmental operations	11,655	9,060	11,655	9,060
Contract services property management	7,867	6,494	7,867	6,494
Contract services other	31,765	33,104	31,765	33,104
Donations	4,646	3,898	4,646	3,898
Electricity	8,031	9,039	8,031	9,039
Entertainment and hospitality	666	625	666	625
Equipment < $5,000	1,150	1,472	1,150	1,472
Fuel	2,701	2,535	2,701	2,535
Grants to community organisations	7,949	8,021	7,949	8,021
Insurance	2,583	2,038	2,583	2,038
Legal fees	3,780	6,469	3,780	6,469
Library resources	1,393	1,433	1,393	1,433
Materials road base	2,729	2,940	2,729	2,940
Operating leases - rentals	7,723	7,427	7,723	7,427
Plant and equipment hire	5,409	4,616	5,409	4,616
Security services	1,370	1,196	1,370	1,196
Software and maintenance	7,033	6,421	7,033	6,421
Telecommunications	4,246	4,061	4,246	4,061
Water and sewerage charges	5,416	4,662	5,416	4,662
All other materials and services	22,045	17,056	18,716	14,891
	198,653	185,458	195,298	183,293
Less: Capitalised expenses	(6,148)	(8,320)	(6,148)	(8,320)
Less: Internal costs transferred to third parties	(707)	-	(707)	-
	191,798	**177,137**	**188,443**	**174,972**

7 Finance costs

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Borrowing costs charged by the Queensland Treasury Corporation *		9,065	11,093	9,065	11,093
Bank charges and credit card fees		949	915	897	866
Finance costs due to unwinding (waste and quarry provisions)	20	451	(1,930)	451	(1,930)
Impairment of debts		314	320	314	320
Other finance costs		160	20	160	20
		10,938	**10,418**	**10,886**	**10,369**

* Borrowing costs includes $9.065 million operating costs ($11.093 million in 2017), and $4.663 million capitalised against the Maroochydore City Centre project ($3.723 million in 2017) and $0.28 million capitalised against the Sunshine Coast Airport Expansion project ($0.03 million in 2017).

8 Contributions to controlled entities

	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Contributions to controlled entities	**-**	**-**	**1,464**	**1,400**

9 Non-recurrent expenses

(Gain)/loss on disposal of non-current assets	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Proceeds from the sale of plant and equipment	(495)	(470)	(495)	(470)
Less carrying amount sold	197	352	197	352
Less carrying amount disposed and written-off	153	46	153	14
	(145)	**(72)**	**(145)**	**(103)**
Proceeds from the sale of property and land *	(542)	(2,970)	(542)	(2,970)
Less carrying amount sold	537	2,339	537	2,339
Less carrying amount disposed and written-off	17,106	7,244	17,106	7,091
	17,101	**6,613**	**17,101**	**6,460**
Replacement of roads, stormwater and other infrastructure				
Less carrying amount:				
Replaced and renewed	1,332	2,324	1,332	2,324
Disposed and written-off	1,175	-	1,175	-
	2,508	**2,324**	**2,508**	**2,324**
Replacement of intangibles				
Less carrying amount:				
Replaced and renewed	-	495	-	495
Disposed and written-off	59	76	59	76
	59	**572**	**59**	**572**
Loss on disposal of property, plant and equipment, and intangibles	**19,523**	**9,252**	**19,523**	**9,252**
Assets transferred to third parties				
Employee expenses transferred to third parties	8	-	8	-
Internal costs transferred to third parties	707	8,784	707	8,784
	715	**8,784**	**715**	**8,784**
Loss on Revaluation				
Net revaluation decrement on land	-	39,802	-	39,802
	-	**39,802**	**-**	**39,802**

Included in 2018 is $0.715 million related to work performed on public utility provider assets as part of the construction of the Maroochydore City Centre supporting access infrastructure.

Notes to the Financial Statements
For the Year Ended 30 June 2018

10 Discontinued operations - Sunshine Coast Airport Pty Ltd

In conjunction with the Sunshine Coast Airport Runway project, and in preparation for completion under the SCA Share Sale and Purchase Agreement, Council established Sunshine Coast Airport Pty Ltd (SCAPL), a proprietary company limited by shares, as well as The Trustee for Sunshine Coast Airport Trust, a unit trust established by deed. Council owned all the issued shares in the company as well as all the issued units in the trust, until sold on 1 December 2017 to Palisade Investment Partners Limited (Palisade) in conjunction with commencement of the 99 year lease of the Sunshine Coast Airport.

Ownership of SCAPL was transferred to Palisade on the 1st December 2017. Under the agreement, airport business proceeds for the period 1 July 2017 to 1 December 2017 were also transferred to Palisade.

The revenue and expenses associated with the Sunshine Coast Airport Pty Ltd for the 5 months to 1st December, and the prior 12 months are detailed below.

Results of discontinued operation		**Consolidated**		**Council**	
		2018	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
		5 months	**12 months**	**5 months**	**12 months**
Revenue		9,675	20,216	-	20,216
Expenses		(3,328)	(15,212)	-	(15,212)
		6,347	**5,004**	**-**	**5,004**
Loss on disposal property, plant and equipment		(659)	(194)	(659)	(194)
Loss on transfer of assets and liabilities		(9,137)	(1,556)	(2,789)	(1,556)
Net result (deficiency)	10	**(3,448)**	**3,254**	**(3,448)**	**3,254**

Non-current asset impairment

Non-current assets held for sale	**-**	**1,556**	**-**	**1,556**

The loss on impairment of assets held for sale arises due to property, plant and equipment being measured at the lower of the carrying amount or fair value less disposal costs.

Assets and Liabilities from discontinued operations	**Consolidated**		**Council**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
	5 months	**12 months**	**5 months**	**12 months**
Cash and cash equivalents	-	7	-	7
Trade and other receivables	-	2,158	-	2,158
Other assets	-	1,167	-	1,167
Non-current assets held for sale	-	81,990	-	81,990
Total assets held for distribution	**-**	**85,322**	**-**	**85,322**
Trade and other payables	-	1,300	-	1,300
Provisions	-	322	-	322
Other	-	762	-	762
Total liabilities held for distribution	**-**	**2,384**	**-**	**2,384**
Net assets classified as held for distribution	**-**	**82,939**	**-**	**82,939**

		Consolidated		**Council**	
		2018	**2017**	**2018**	**2017**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance at 1 July		82,938	490	82,938	490
Transfers from current assets		-	3,332	-	3,332
Transfers from current liabilities		-	(2,384)	-	(2,384)
Transfers from non-current assets		-	83,545	-	83,545
Impairment adjustment		-	(1,556)	-	(1,556)
Disposals		(82,938)	(490)	(82,938)	(490)
Closing balance at 30 June	10	**-**	**82,938**	**-**	**82,938**

11 Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include cash on hand as well as deposits at call with financial institutions. It also includes bank overdrafts and other short term highly liquid investments with short periods to maturity that are readily convertible to cash at the council's option and that are subject to a low risk of changes in value.

Cash and cash equivalents include an amount of $60 million (2017 $60 million) in short-term investments. Short-term investments have an original maturity date of greater than three months from the balance date of the financial statements.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Total cash and equivalents	**292,118**	**283,987**	**290,202**	**282,368**

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. As at reporting date these include:

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Externally imposed expenditure restrictions	138,429	121,110	138,429	121,110
Internally imposed expenditure restrictions	24,664	10,586	24,664	10,586
Total unspent restricted cash	**163,093**	**131,696**	**163,093**	**131,696**

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Constrained works	107,960	84,990	107,960	84,990
General	14,419	17,421	14,419	17,421
Levy funded	14,482	13,273	14,482	13,273
Special purpose	1,568	5,426	1,568	5,426
Total unspent restricted cash	**138,429**	**121,110**	**138,429**	**121,110**

Internally imposed expenditure restrictions at the reporting date:

Constrained works	-	637	-	637
General	24,664	7,883	24,664	7,883
Special purpose	-	2,066	-	2,066
Total unspent restricted cash	**24,664**	**10,586**	**24,664**	**10,586**

12 Trade and other receivables

Receivables are amounts owed to Council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Rates and utility charges	3,982	4,595	3,982	4,595
Infringements	2,260	2,138	2,260	2,138
Infrastructure charges	3,266	1,851	3,266	1,851
Trade debtors	9,258	5,311	4,690	5,164
GST receivable	3,799	2,898	3,799	2,888
Other debtors	4	3	4	3
Less allowance for impairment	(482)	(524)	(482)	(524)
	22,086	**16,273**	**17,518**	**16,116**
Movement in accumulated impairment losses (other debtors) is as follows:				
Opening balance at 1 July	524	1,463	524	1,463
Impairment debts written off during the year	(354)	(1,259)	(354)	(1,259)
Additional impairments recognised	312	321	312	321
Closing balance at 30 June	**482**	**524**	**482**	**524**

Interest is charged on outstanding rates at 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

The following represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

		Note	Consolidated		Council	
			2018	2017	2018	2017
			$'000	$'000	$'000	$'000
Not past due			12,837	12,493	12,837	12,493
Past due	31-60 days		5,079	1,557	512	1,400
	61-90 days		361	509	361	509
	More than 90 days		4,291	2,238	4,291	2,238
	Impairment		(482)	(524)	(482)	(524)
			22,086	**16,273**	**17,518**	**16,116**
Non-Current						
Trade debtors			17,060	-	17,060	-
Loans receivable			9,004	5,937	9,004	5,937
Loan to associate - subordinated debt		14	434,393	434,393	434,393	434,393
Shares in controlled entities			-	-	500	500
			460,458	**440,330**	**460,958**	**440,830**

The non-current trade debtors amount of $17.06 million is due for payment on 30 June 2022 as per the SCA (Sunshine Coast Airport) Share Sale and Purchase Agreement.

Loans receivable includes finance provided by Council to independent third parties in order to undertake development activities. *Comparative figures have been restated.*

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

The subordinated interest only loan terminates on 30 June 2033 with the interest rate to be set by QTC annually.
Applicable interest rate for 2018 was 5.02% (2017 5.33%).

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the Year Ended 30 June 2018

13 Inventories

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, expenditure incurred in acquiring inventories and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. Inventory land being developed and held for resale within the next twelve months is classified as current inventory assets. Inventory land held for resale in future years is classified as non-current inventory assets. Such land is accounted for under *AASB 102 Inventories.*

Profit arising upon sale of land is recognised as revenue in the Statement of Comprehensive Income on the signing of a valid unconditional contract of sale.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Equipment, stores and quarries *	1,209	876	1,137	772
Land being developed for resale **				
Work in Progress	16,068	8,821	16,068	8,821
Finished Goods	-	-	-	-
Closing current inventories at 30 June	**17,278**	**9,697**	**17,206**	**9,594**

* Hand held equipment, stores and quarries are internal stocks verified by annual stocktake.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-current				
Land held for future development and resale **				
Work in Progress	36,568	31,221	36,568	31,221
Runway under development and resale***				
Work in Progress	60,031	-	60,031	-
Closing non-current inventories at 30 June	**96,599**	**31,220**	**96,599**	**31,220**

** Land acquired for the Maroochydore City Centre (MCC) precinct is currently classified as a mix of public realm land which continues to be recognised as a Council land asset in property, plant and equipment and land held for development and resale. The allocation between these two classifications and requisite accounting treatment is based on a management estimation drawn from SunCentral Maroochydore Pty Ltd.'s (the Development Manager) current land disposal plan and the current MCC Surveyed Priority Development Area (PDA) land area maps.

The development of MCC PDA, although approved, may be subject to further decision changes and planning for each development stage as the project progresses. Only when the decision to develop is made and confirmed with the Development Manager will non-current land inventory be reclassified as current land inventory. Annual Review in consultation with the Development Manager will be conducted to confirm future development plans and land scheduled for development and resale.

Land planned for resale will be released in stages over the next 20 years. Current land inventory is Stage 1 is planned for release in late 2018, and Non-current land inventory is being held for future development in Stages 2-6. Land planned for resale is recognised at cost, being the lesser of cost and net realisable value. Inventory costs include costs to develop the land ready for resale and other directly attributable costs such as project overheads and borrowing costs.

*** Sunshine Coast Airport (SCA) international runway construction commenced 2017 and is anticipated to be ready for sale in 2020. Inventory costs include the costs of development and other directly attributable costs such as project overheads and borrowing costs.

14 Investment in associates

Associates are entities that Sunshine Coast Regional Council has significant influence over. Significant influence is the power to participate in the financial, operating and policy decisions but the critical link for the determination of control as defined in *AASB 10 Consolidated Financial Statements* requires more than this. Investments in the consolidated financial statements are accounted for using the equity method and in the separate Council financial statements using the cost method. Under the equity method, the consolidated entity's share of post-acquisition profits and losses of associates is recognised in the Statement of Comprehensive Income and the interest in the equity of the associates is recognised in the Statement of Financial Position. The cumulative post acquisition movements are adjusted against the cost of the investment.

Council had an interest in one (1) associate during the year being Unitywater. Council has no other joint ventures, joint arrangements or interests in other entities.

Name of Associate	Northern SEQ Distributor-Retailer Authority (trading as Unitywater)
Principal Activity	Provision of Water and Wastewater Services
Principal Place of Business	Caboolture Qld
Proportion of Ownership Interest	37.51% (2017 37.51%)

(1) Background

The *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (the Act)* established the Northern SEQ Distributor-Retailer Authority (the Authority) trading as Unitywater on the 25th June 2010.

The Authority was set up to deliver water and wastewater services to customers within the local government areas of the now three (3) participating Councils - Sunshine Coast Regional, Moreton Bay Regional and Noosa Shire Councils.

Under the Act, governance arrangements for the Authority are established in a Participation Agreement. The agreement provides for participation rights to be held by the participating Councils, with Sunshine Coast Regional Council holding 37.51% of these rights.

The Authority's Board is comprised of independent directors, with no individual Council having the ability to dominate the Authority's decision making to obtain greater benefits from its activities than any other of the participants.

(2) Contractual Agreements

Council provides some contracted services to the Authority, mainly around the collection of infrastructure charges relating to the construction of water and wastewater assets, which are remitted to the Authority.

(3) Returns to Council

Council provided two loans to the Authority from 1 July 2010 under Participating Local Government Fixed rate Loan Agreements (Senior and Subordinated Debt) with monthly interest-only payments for three years to 30 June 2013.

Council agreed to extend the loans with a Participating Local Government (PLG) Loan Agreement between Sunshine Coast Regional Council and the Authority duly executed on 21 June 2013. This new loan was subject to an annual reset rate (to be determined by Queensland Treasury Corporation in accordance with the credit rating assigned for the Authority) with quarterly interest-only payments for twenty years to 30 June 2033. The rate to 30 June 2018 is 5.02% (2017: 5.33%).

Any repayment of principal, or refinancing of the loan shall be subject to the prior written approval and on terms agreed by the Treasurer or Under Treasurer of Queensland.

The Authority operates under a tax equivalent regime, with all tax paid being distributed pro-rata to the participating Councils based on their participation rights. Tax is payable monthly based on a percentage of the Authority's gross revenue.

(4) Participation Rights

Participation rights in the Authority are recognised at initial value plus share of undistributed profits.

Movement in carrying amount	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Investment	672,333	635,341	538,213	538,212
Share of profits after tax and before dividends	44,789	50,829	-	-
Dividends received/receivable	(268)	(13,837)	-	-
Carrying amount at the end of the financial year	**716,854**	**672,333**	**538,213**	**538,212**

The Authority is not a publicly listed entity and consequently does not have published price quotations.

Summary financial information for the Authority, not adjusted for the percentage ownership held by Council, as reflected in their 30 June 2018 financial statements is detailed below.

Extract from the Authority's Statement of Comprehensive Income	**2018 $'000**	**2017 $'000**
Total revenues	696,248	669,523
Ordinary expenses	(490,211)	(489,199)
Profit before income tax equivalent	**206,037**	**180,324**
Income tax equivalent expense	(86,632)	(44,817)
Total profit (after tax)	**119,405**	**135,507**
Share of Profit of Associate	**44,789**	**50,829**
Total assets	3,777,942	3,619,542
Total liabilities	(1,858,898)	(1,819,190)
Net assets	**1,919,044**	**1,800,352**

15 Other assets

	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Current				
Prepayments	5,122	5,923	5,122	5,923
Accrued revenue	18,774	19,906	18,726	19,847
	23,896	**25,829**	**23,848**	**25,770**

16 Property, Plant and Equipment

16 (a) Recognition

Items of property, plant and equipment with a total value of less than $5,000, except for land and network assets (which have a recognition threshold of greater than $1), are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Expenditure that relates to replacement of a major component of an asset to maintain its service potential or extend its useful life is capitalised. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under the road network that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the State pursuant to the relevant legislation. Land under roads acquired after 30 June 2008 is recognised as a non-current asset where Council holds title or a financial lease over the asset. Council currently does not have any such land. Therefore this land is not recognised in these financial statements.

16 (b) Measurement

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs directly related to the acquisition and incurred in preparing the asset for use as intended by management. Subsequent to initial measurement, each asset class is stated at fair value or cost less, where applicable, any accumulated depreciation or accumulated impairment loss, as shown in Note 16(f).

The cost of property, plant and equipment being constructed by Council includes the cost of materials and direct labour, an appropriate portion of overheads incurred, and any other costs directly attributable to bringing the assets to a working condition for their intended use. These costs are treated as capital expenditure.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds.

16 (c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land and formation/earthworks are not depreciated as they are judged to have unlimited useful life. Depreciation on property, plant and equipment is calculated on a straight-line basis at asset component level so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value if appropriate, progressively over its estimated useful life. Management believe that the straight line basis appropriately reflects the pattern of consumption of all Council assets.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the new estimated useful life.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 16(f).

16 (d) Impairment

All non-current physical assets that are measured at cost are assessed for indicators of impairment annually. If an indicator of impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

16 (e) Valuation

Land, buildings and infrastructure assets are measured at fair value, and are revalued in accordance with *AASB 116 Property, Plant and Equipment* and *AASB 13 Fair Value Measurement*. All other non-current assets, and capital works in progress are measured at cost.

Non-current physical assets measured at fair value are comprehensively revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuation firms, or other consultants, to determine the fair value for each class of property, plant and equipment assets at least once every five years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes, and making their own assessments of the condition at the date of inspection. For assets valued at unit rates, the rates are developed to reflect Council's costs of construction which include oncost rates and other factors associated with the cost of replacement of these assets.

In the interim years to the comprehensive valuation of infrastructure asset classes, Council engages suitably qualified consultants to provide cost movement indices for the period and suitably qualified internal Council officers assess conditions and check cost assumptions to ensure they are still valid. The results of the internal assessments and indices developed, which utilise internal civil works information and broader market movements, are considered in combination to form the valuation.

For the interim valuations of the land and buildings, management engages independent valuers to perform a desktop valuation whereby the regional area cost movements are analysed and applied against updated asset information which includes additions, disposals, changes to useful lives and condition assessments. The valuer then determines suitable indices which are applied to each of these asset classes.

The annual review performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant, and the indices applied by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions pertaining to specific asset classes are disclosed below.

Any revaluation increments arising from the revaluation of an asset are recognised in other comprehensive income and presented in the asset revaluation surplus in equity. A decrease in the carrying amount on revaluation is charged as an expense to the extent that it exceeds the balance of previously recognised revaluation increments for that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in carrying amount of the asset. Further, any change in the estimated useful life is applied on a prospective basis. Separately identified components of assets are measured on the same basis as the assets to which they relate.

All of Council's infrastructure asset classes are valued using the cost approach (current replacement cost). This approach requires a valuation technique where professional judgment and assumptions are applied, and therefore the inputs considered predominantly to be unobservable. The use of different judgements and assumptions may result in a different valuation. The current replacement cost is the asset's current gross replacement cost less accumulated depreciation calculated to reflect the already consumed or expired service potential of the asset.

The unit rates (labour and materials) and quantities applied to determine the current replacement cost of an infrastructure asset or component are typically based on a "Brownfield" assumption to account for the costs associated with the replacement of the asset in situ. Unit rates are applied to spatial dimensions and fair values are reported to reflect condition and remaining service potential, if available, or age of the asset which is consistent with the principles of a cost approach.

Current replacement cost 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. Where existing assets were over designed, had excess capacity, or were redundant, an adjustment was made so that the resulting valuation reflected 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 within the Council's planning horizon.

Notes to the Financial Statements
For the year ended 30 June 2018

16 (f) Movements

Council	Note	Land	Buildings	Plant & Equipment	Road & Bridge Network	Stormwater Network	Other Infrastructure	Capital Works in Progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
For the year ended 30 June 2018									
Gross value / cost		523,875	316,119	59,346	2,069,087	1,233,969	572,290	151,406	4,926,093
Less accumulated depreciation		-	(98,530)	(30,376)	(479,180)	(241,629)	(138,633)	-	(988,349)
Book value as at 30 June		523,875	217,589	28,970	1,589,906	992,340	433,657	151,406	3,937,744
For the year ended 30 June 2017 (restated)									
Gross value / cost		476,969	304,473	61,871	2,020,424	1,212,135	559,122	85,397	4,720,390
Less accumulated depreciation		-	(90,689)	(31,583)	(445,316)	(240,659)	(129,528)	-	(937,776)
Book value as at 30 June		476,969	213,784	30,288	1,575,108	971,476	429,594	85,397	3,782,615

	Note	Land	Buildings	Plant & Equipment	Road & Bridge Network	Stormwater Network	Other Infrastructure & Waterways	Capital Works in Progress	2018 Total	2017 Total (restated)
Basis of measurement		Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	-	-
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening net value as at 1 July before restatement		475,848	213,704	30,288	1,554,666	958,535	429,172	91,335	3,753,549	3,656,929
Adjustment to opening balance*	34	1,121	79	-	20,441	12,941	422	(5,937)	29,066	31,071
Reclassification to operating expense		-	-	-	-	-	-	(6,568)	(6,568)	(8,483)
Plus capital expenses		-	-	-	-	-	-	209,333	209,333	179,899
Reclassification to inventory work in progress	13	-	-	-	-	-	-	(72,909)	(72,909)	-
Transfers from capital works in progress		13,788	6,804	3,012	21,699	6,206	12,967	(64,476)	-	-
Plus contributed assets		12,426	580	-	29,320	16,921	1,753	-	61,000	168,222
Less disposals	9	(17,189)	(455)	(349)	(1,413)	(145)	(949)	-	(20,501)	(11,823)
Less disposals for discontinued operations	10	-	-	(214)	-	-	(444)	-	(659)	-
Less depreciation provided in period		-	(7,417)	(3,766)	(34,807)	(10,174)	(16,684)	-	(72,848)	(66,493)
Revaluation adjustments to asset revaluation surplus	22	37,882	4,292	-	-	8,057	7,421	-	57,651	(41,965)
Revaluation adjustments to non-recurrent expense	9	-	-	-	-	-	-	-	-	(39,802)
Transfer (to)/from intangibles	17	-	-	-	-	-	-	629	629	(1,541)
Transfer to non-current assets held for sale		-	-	-	-	-	-	-	-	(83,398)
Transfer between classes		-	-	-	-	-	-	-	-	-
Book value as at 30 June		523,875	217,589	28,970	1,589,906	992,340	433,657	151,406	3,937,744	3,782,615
Range of estimated useful lives in years		unlimited	2-100	2-60	5-unlimited	5-135	5-unlimited			

* Adjustment to the opening balance of Capital Works in Progress relates to the identification of finance provided by Council to independent third parties in order to undertake development activities. This expense was moved to loans receivable. The adjustment to the opening balance of the infrastructure asset classes comprises the recognition of developer contributed assets handed-over to Council in the prior financial period and the recognition of discovered assets during the financial reporting period which should have been brought to account in previous financial years.

The 2017 total adjustment to opening balance comprises the recognition of discovered assets during the financial reporting period which should have been brought to account in previous financial years, and the alignment of the financial asset register and asset management practices regarding land under water and constructed waterways.

16 (g) Fair value measurement

In accordance with *AASB 13 Fair Value Measurement* , fair value measurements are categorised on the following basis:

Level 1 – the fair value is based on quoted prices (unadjusted) in active markets for identical assets.

Level 2 – the fair value is estimated using inputs that are directly or indirectly observable for the asset, such as prices for similar assets.

Level 3 – the fair value is estimated using unobservable inputs for the asset.

The table below represents Council's assets measured and recognised at fair value at 30 June 2018. All fair value measurements are recurrent and categorised as either level 2 or level 3 in the fair value hierarchy.

Property, Plant and Equipment Fair Value Hierarchy

	Level 2		Level 3		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Land	98,835	94,568	425,040	381,281	**523,875**	**475,849**
Buildings	1,410	1,355	216,179	212,350	**217,589**	**213,704**
Other Infrastructure	-	-	433,657	429,172	**433,657**	**429,172**
Roads and Bridges	-	-	1,589,906	1,554,666	**1,589,906**	**1,554,666**
Stormwater	-	-	992,340	958,535	**992,340**	**958,535**
	100,245	95,923	3,657,122	3,536,005	**3,757,367**	**3,631,928**

Land

The fair value of land is measured at current market value using the exit price methodology, taking into consideration the highest and best use, less the cost of any restrictions where they apply. Highest and best use takes into account what is physically possible, legally permissible and financially feasible for each asset.

To determine the fair value of Land assets as at 30 June 2018, Council engaged independent valuation firm Australis Asset Advisory Group Pty Ltd to establish indicative fair value movement indices, which have been applied on a per-suburb basis. This was achieved by examining and analysing a range of observable data over the measurement period, such as sales evidence and comparisons in the local market. The indices developed ranged from 3.05% to 13.35%, with an overall indicative fair value movement for the local government area of 7.60%. The comprehensive revaluation of land was last completed as at 30 June 2017.

Where there is an active market and liquid sales evidence available and no significant adjustments applied, this was judged to represent level 2 observable inputs. Where directly comparable sales evidence was unavailable, or a significant level of adjustment was required between sales evidence and an asset, level 3 unobservable inputs were used to derive fair value measurement. The adjustments made for level 3 assets included the Sunshine Coast Planning Scheme 2014, zoning, use or significant restriction, case law, sales analysis, as well as professional opinion. The most significant inputs into this valuation approach are price per square metre with consideration given to the existence of restrictions and active markets.

Buildings

Fair value of buildings is measured using the market approach or, in the absence of an active market, the cost approach . Building values were updated by Australis Asset Advisory Group Pty Ltd, effective 30 June 2018 by applying the indicative replacement cost movement index of 2.05%. Buildings considered commercial in nature were also assessed and show indicative fair value movement of 6.95%. The indices were developed using a variety of cost movement sources such as Rawlinson's Construction Handbook, price indices produced by the Australian Bureau of Statistics (ABS) and AIQS Building Economist which were analysed by way of a weighted matrix. Buildings were last comprehensively revalued as at 30 June 2017.

Where Council buildings are specialised in nature, and there is no active market for the assets, the fair values are derived by an external valuer with reference to relevant recent construction information and adjusted to reflect the consumed or expired service potential of the building asset. Where there is evidence of an active market for assets in the building asset class, fair value has been derived on a market basis from the observed sales prices of comparable properties, after adjusting for differences in key attributes such as property size. Building assets are valued at component level.

Plant and Equipment

Plant and equipment assets are reported at historical cost for the year ended 30 June 2018.

Plant and equipment are reported at original cost less accumulated depreciation. A condition and useful life review is conducted on a recurrent basis. This review ensures integrity of the necessary assertions relating to existence, ownership and condition in order to determine remaining service potential and useful lives.

Infrastructure Assets

Assets are recognised at component level. Componentisation is based around significance, asset behaviour and service delivery. Depreciation is systematically allocated over a defined useful life of each component recognised. Where asset condition can be assessed, it is used as a mechanism to determine whether and to what extent the service potential of infrastructure assets has been consumed during the reporting period and to confirm the pattern of consumption of future economic benefits. Consideration has been made for the typical asset life cycle and renewal treatments. Estimated useful lives are disclosed in Note 16 (f).

Based on Council's consideration of the valuer's reports, where interim valuations have been undertaken, management judges the movement shown in these indices to be the most appropriate measure for reflecting changes in fair value of assets of this nature.

Road and Bridge Network

The Sunshine Coast Local Planning Scheme 2014 provides road hierarchy definitions and Council uses these to categorise its road network in order to recognise the different behaviour of roads within the hierarchy. A system of road segmentation is also used and assets are recognised at component level. Components are based on material type and behaviour and include surface, pavement base, pavement sub-base and formation. The last comprehensive valuation was completed as at 30 June 2015.

Council engaged consulting firm Cardno (Qld) Pty Ltd to provide advice on an appropriate market movement index to apply to the road asset class. Various data sources were assessed including the implicit price deflator, price indices produced by the Australian Bureau of Statistics (ABS). Additionally, Cardno’s roads engineer assessed the cost movements on the material items within the road asset class for current period which were consistent with the published indices. Cardno's analysis provided that the road network assets did not materially increase in value during the current period and no indexation be applied for 2018.

For bridges, condition assessments are undertaken cyclically which includes a visual inspection to determine condition. Where a review is deemed appropriate, changes to condition in accordance with International Infrastructure Management Manual (IIMM) standards are is used as a basis for assessment of fair value, remaining service potential and remaining useful life. The cost movement index provided by Cardno (Qld) Pty Ltd concluded no indexation be applied for 2018.

Stormwater Network

Council engaged consulting firm Cardno (Qld) Pty Ltd to comprehensively revalue and develop unit rates for the stormwater network as at 30 June 2018. Comprehensive revaluations of the stormwater network asset class are undertaken on a rolling five year basis, with the major and minor asset types assessed and updated annually. The minor asset types are reviewed in detail utilising as-constructed and aerial photography on an approximate 20% basis which is divided into zones across the region. Condition assessments of major asset types are conducted within these zones to inform remaining service potential. The valuers have physically inspected a sample of assets of varying asset types in the applicable zone for this reporting period. The balance of the asset class, which are assets not currently spatially captured, were reviewed by Cardno and deemed no cost movement index be applied this reporting period.

The fair value of stormwater assets was reported at 30 June 2018 to reflect changes in actual costs of construction for Council and changes in remaining service potential, in accordance with the principles of the cost approach embodied in *AASB 13 Fair Value Measurement.*

Sunshine Coast COUNCIL

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Other Infrastructure - Facilities

Fair values were last comprehensively revalued by Australis Asset Advisory Group Pty Ltd for the year ended 30 June 2017. For 2018, fair values were adjusted by the other infrastructure indicative replacement cost movement index of 1.80% developed by Australis Asset Advisory Group Pty Ltd to reflect cost movements of the asset class.

Council facilities, such as aquatic centres, holiday parks, and waste recycling depots, are typically of a specialised nature such that there is no depth of market for the assets. Fair value for these assets is measured on a cost basis by determining current replacement cost. The gross current values have been updated by reference to movement in relevant recent market data on replacement cost. As there is no depth of market, the net current value of an asset is the current replacement cost less accumulated depreciation adjusted to reflect the consumed or expired service potential of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

Other Infrastructure - Parks and Waterways

Park, sport and open space infrastructure assets were last comprehensively revalued during the year ended 30 June 2015 by GHD - Consulting Engineers. Constructed waterways were valued using unit rates developed by Cardno (Qld) Pty Ltd for the year ended 30 June 2017. For 2018, fair values were adjusted by the other infrastructure indicative replacement cost movement index of 1.80% developed by Australis Asset Advisory Group Pty Ltd to reflect cost movements of the Other Infrastructure asset class.

Park assets do not have an active market as they are specialised assets held to provide services to the community. Accordingly, the fair value of such assets is measured using the cost approach valuation technique. The gross current values have been determined by reference to Council's internal costs, such as materials and labour, and relevant recent market data on construction costs to establish current replacement cost unit rates. The net current value of an asset is the current replacement cost less accumulated depreciation adjusted to reflect the consumed or expired service potential of the asset.

Other Infrastructure - Waste

Waste landfill assets were last comprehensively revalued by Cardno (Qld) Pty Ltd as at 30 June 2017. The fair value of the landfill cells was calculated by reference to cell area and volume specifications, estimated labour and material inputs, services costs, and overhead allocations. For 30 June 2018, the current replacement cost has been determined by the reassessment of remaining volume of landfill cells and site closure predictions. Landfill airspace is assessed bi-annually.

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For the year ended 30 June 2018

17 Intangible assets

Intangible assets are recognised at cost, and subsequent to initial recognition are held at historical cost. The financial recognition threshold for items of intangible assets is $5,000, with items with a lesser value being expensed.

Costs associated with intangible assets are capitalised and then amortised on a straight-line basis over the period of expected benefit to Council. Intangible assets are assessed for indicators of impairment annually.

Consolidated and Council	Note	Intangible $'000	Capital Works in Progress $'000	2018 Total $'000	2017 Total $'000
Opening net value as at 01 July		16,617	255	16,872	20,505
Reclassification to operating expense		-	(323)	(323)	(1,950)
Plus capital expenses		-	2,204	2,204	1,544
Transfers from capital works in progress		1,211	(1,839)	(629)	-
Less disposals		(59)	-	(59)	(572)
Less amortisation provided in period		(3,495)	-	(3,495)	(4,049)
Transfer (to)/from property, plant and equipment	16(f)	-	-	-	1,541
Transfer to non-current assets held for sale		-	-	-	(147)
Book value as at 30 June		**14,274**	**296**	**14,571**	**16,872**
Range of estimated useful lives in years		2-25	-		

18 Trade and other payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as wages, salaries and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related oncosts.

	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Current				
Creditors and accruals	66,728	42,151	61,683	41,783
Annual leave	10,813	10,014	10,722	9,943
Other employee entitlements	695	738	695	665
	78,236	**52,902**	**73,100**	**52,391**
Non-current				
Annual leave	1,333	1,464	1,333	1,384
	1,333	**1,464**	**1,333**	**1,384**

Annual leave expected to be settled within 12 months is calculated on current wage and salary levels and includes related employee oncosts. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee oncosts, and are discounted to present values.

19 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made semi annually in arrears with interest being expensed as it accrues.

In accordance with the *Local Government Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensures that sustainability indicators remain within acceptable levels at all times.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Queensland Treasury Corporation (QTC)	22,111	20,584	22,111	20,584
**Economic Development Queensland	840	847	840	847
	22,951	**21,431**	**22,951**	**21,431**
Non-Current				
Queensland Treasury Corporation (QTC)	257,416	256,872	257,416	256,872
**Economic Development Queensland	10,920	11,753	10,920	11,753
	268,336	**268,625**	**268,336**	**268,625**

**This is a $12.6 million interest free loan over 15 years, with repayments to be made annually, obtained from Economic Development Queensland as part of the Catalyst Infrastructure Program. The loan is to assist with the cost of infrastructure to promote and progress development in the Maroochydore City Centre Priority Development Area, specifically roadworks and three priority intersections to access Stages 1 and 2 of the city centre. The funds were received in June 2017.

The market value of QTC borrowings represents the value of the debt if Council repaid the debt as at 30 June 2018. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts. The weighted average borrowing rate for the year was 5.096% (2017 5.23%).

Balance at the end of the year (Market Value)	**306,750**	**307,829**	**306,750**	**307,829**

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland State Government.

20 Provisions

(i) Long service Leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee oncosts. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service, and Council does not have an unconditional right to defer this liability beyond 12 months, long service leave is calculated as a current liability. Otherwise it is classified as non-current.

Notes to the Financial Statements

For the year ended 30 June 2018

20 Provisions (continued)

(ii) Landfill and quarry rehabilitation

Where it is probable that Council have either a legal or constructive obligation, provision is made for the cost of rehabilitation of landfill and quarry sites.

The landfill rehabilitation provision represents the present value of the anticipated future costs associated with the closure of the landfill sites, decontamination and monitoring of historical residues and leaching on these sites.

The quarry rehabilitation provision represents the present value of the anticipated future costs associated with the closure of the quarries, refilling the basin, and reclamation and rehabilitation of these sites.

The calculation of these provisions requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provisions recognised are reviewed at least annually and updated based on the facts and circumstances available at the time, and discounted to present value.

	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Long service leave	18,369	17,617	18,369	17,444
Landfill and quarry rehabilitation	1,655	2,309	1,655	2,309
	20,024	**19,926**	**20,024**	**19,753**
Non-current				
Long service leave	5,547	5,174	5,304	5,174
Landfill and quarry rehabilitation	31,669	27,955	31,669	27,955
	37,216	**33,129**	**36,973**	**33,129**

Details of movements in provisions:

Long service leave	Consolidated		Council	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of financial year	22,791	22,585	22,617	22,472
Long service leave entitlement arising	3,885	3,099	3,816	2,716
Long service entitlement paid	(2,677)	(2,876)	(2,677)	(2,554)
Long service entitlement extinguished	(83)	(17)	(83)	(17)
Balance at end of financial year	**23,916**	**22,791**	**23,673**	**22,617**

Landfill and Quarry rehabilitation		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Balance at beginning of financial year		30,265	28,333	30,265	28,333
Increase/(decrease) in provision due to effect of interest rate movement		-	(3,116)	-	(3,116)
Increase/(decrease) in provision due to unwinding of discount	7	451	(1,930)	451	(1,930)
Increase/(decrease) in provision due to change in estimate		3,806	4,924	3,806	4,924
Increase/(decrease) in provision as a result of actual expenditure incurred during the year		(1,198)	2,054	(1,198)	2,054
Balance at end of financial year		**33,323**	**30,265**	**33,323**	**30,265**

20 Provisions (continued)

Council holds an Environmental Protection Agency licence to operate a number of landfills. Council estimates and discounts expected future costs to restore landfill cells to present value at a discount factor based on Commonwealth bond yield rates.

During 2017/18 an increase in the provision for the refuse landfill sites of $3.058 million was recognised largely due to updated estimates to cost inputs.

Landfill site	Expected closure year	Post closure monitoring cost completion year
Coolum	2010	2040
Buderim	2005	2035
Pierce Avenue	2033	2063
Nambour Landfill	2024	2054
Old Buderim Landfill	1989	2019

At 30 June 2018 the net present value of the projected costs over the next 30 years has been assessed as $27.683 million.

Capital Market Yields - Government 10 year bond rate for 2018 was 2.6% (2017 2.6%).

21 Other liabilities

Non policy developer contributions reflect cash contributions for which related service obligations have yet to be fulfilled by Council.

Revenue is classified as unearned if it relates to an obligation to supply specific goods and services in future periods. Unearned revenue includes cemetery and rent prepayments.

		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Current					
Non policy developer contributions		18,178	12,370	18,178	12,370
Unearned revenue		9,075	6,580	8,992	6,512
		27,254	**18,949**	**27,171**	**18,881**

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22 Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net increments and decrements in the book value of classes of non-current assets after their initial recognition are accumulated in the asset revaluation surplus. Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense in the Statement of Comprehensive Income.

When an asset is disposed of the amount reported in the surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Movements in the asset revaluation surplus were as follows:					
Balance at beginning of period					
Land		-	37,743	-	37,743
Buildings		33,760	55,871	33,760	55,871
Road and bridge network		508,550	480,336	508,550	480,336
Stormwater network		240,392	240,392	240,392	240,392
Other infrastructure		64,465	74,790	64,465	74,790
		847,168	**889,133**	**847,168**	**889,133**
Net adjustment to non-current assets to reflect a change in current fair value:					
Land		37,882	(37,743)	37,882	(37,743)
Buildings		4,292	(22,111)	4,292	(22,111)
Road and bridge network		-	28,215	-	28,215
Stormwater network		8,057	-	8,057	-
Other infrastructure		7,421	(10,325)	7,421	(10,325)
		57,651	**(41,965)**	**57,651**	**(41,965)**
Closing balance of the asset revaluation surplus is comprised of the following asset categories:					
Land		37,882	-	37,882	-
Buildings		38,052	33,760	38,052	33,760
Road and bridge network		508,550	508,550	508,550	508,550
Stormwater network		248,450	240,392	248,450	240,392
Other infrastructure		71,886	64,465	71,886	64,465
		904,819	**847,168**	**904,819**	**847,168**

23 Commitments for expenditure

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Operating leases	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Minimum lease payments in relation to non-cancellable operating leases are as follows:					
Within one year		6,085	6,251	5,993	6,186
One to five years		9,229	11,258	9,088	11,220
Greater than five years		677	901	677	901
		15,992	**18,411**	**15,758**	**18,307**

Contractual commitments

Contractual commitments at balance date but not recognised in the financial statements are as follows:				
Within one year	191,313	55,398	174,518	55,375
One to five years	112,518	57,962	112,518	57,962
Greater than five years	11,442	14,792	11,442	14,792
	315,273	**128,151**	**298,478**	**128,128**

Capital commitments

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Aerodromes		-	27	-	27
Buildings and Facilities		656	1,577	656	1,577
Coast and Canals		-	65	-	65
Corporate Major Projects		785	3,144	785	3,144
Divisional Allocations		2,104	1,827	2,104	1,827
Environmental Assets		196	-	196	-
Fleet		544	-	544	-
Holiday Parks		137	96	137	96
Information Technology		868	248	868	248
Parks, Gardens and Reserves		1,437	894	1,437	894
Quarries		44	98	44	98
Stormwater		992	1,026	992	1,026
Strategic Land and Planning		6,532	7,153	6,532	7,153
Sunshine Coast Airport		-	6,262	-	6,262
Transportation		1,540	6,196	1,540	6,196
Waste		458	471	458	471
These expenditures are payable within one year		**16,293**	**29,085**	**16,293**	**29,085**

Sunshine Coast COUNCIL

24 Contingencies

Contingent assets

On 9 February 2017 Council entered into an agreement with Palisade Investment Partners to effect, among other things, a 99 year lease of Sunshine Coast Airport land and building assets to Palisade, and for Council to construct a new runway. Under the 99 year lease, Council will be entitled to 5% of gross Airport revenue per annum. It is not possible to reliably estimate the amount of gross revenue from the Airport and therefore the amount to be received is a contingent asset at 30 June 2018.

The 99 year lease commenced 1st December 2017.

Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
At 30 June 2018 there are 41 insurance claims under management with Council's public liability insurer, LGM (42 in 2017). The amount required assuming the claims proceed to settlement is:		294	206	294	206
At 30 June 2018 there are 4 compulsory land acquisition claims (9 in 2017) pending and are not expected to exceed:		710	8,880	710	8,880
At 30 June 2018 Council provided 3 standard commercial warranties to which there are no current known claims. The maximum amount required in the event of breach is:		98,000	-	98,000	-
Total Contingent liabilities		**99,004**	**9,086**	**99,004**	**9,086**

Based on advice from Council's solicitors, there are claims that may result in future settlements being made by Council. The total of these claims, liability for which is not admitted, has not been quantified as Council is in the process of negotiations for a commercial settlement of the claims.

Local Government Workcare

Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities.

Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is $2,829,592.

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

25 Superannuation

The Sunshine Coast Regional Council contributes to the LGIAsuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress. The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities.

Sunshine Coast Regional Council made 7.02% of the total contributions to the plan for the 2017/18 financial year.

The amount of superannuation contributions paid by Sunshine Coast Regional Council to the superannuation scheme in this period for the benefit of employees was;

		Consolidated		Council	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Superannuation contributions made to the Regional Defined Benefits Fund		1,868	1,994	1,868	1,994
Other superannuation contributions for employees		17,843	17,055	17,689	16,975
	5	19,712	18,662	19,557	18,582

Council expects to contribute $1.9 million to the Regional Defined Benefits Fund for 2018/19.

26 Operating lease income

The minimum lease payments are payable as follows:

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
Within one year		1,265	1,056	1,265	1,056
One to five years		3,630	3,430	3,630	3,430
Greater than five years		9,015	9,573	9,015	9,573
		13,910	14,059	13,910	14,059

Council has contingent assets related to Sunshine Coast Airport. This is included in Note 24.
Council received $0.529 million from the Sunshine Coast Airport in 2018 and has forecast future revenue payments of $1.085 million in line with Council's 2018-19 Adopted Budget. The future payments may exceed or be less than these estimates, depending on future airport activities.

27 Controlled entities

The council has a 100% controlling interest in Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd. Council owned all the issued shares and units in Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust until sold on 1 December 2017.

The Events Centre at Caloundra specialises in staging corporate events and has a range of performance and function spaces available for hire.

SunCentral Maroochydore Pty Ltd is responsible for the development of the new Maroochydore City Centre.

Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust was established in preparation for the commencement of the 99 year lease on 1 December 2017 to Palisade Investment Partners Limited for operation of the airport.

The following table shows revenue and expenses before consolidating eliminations.

	SunCentral Maroochydore P/L		Sunshine Coast Events Centre P/L		Sunshine Coast Airport P/L	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue	21,223	11,627	3,773	3,751	9,675	20,216
Expenses	(21,176)	(11,615)	(3,710)	(3,693)	(3,328)	(16,962)
Loss on Transfer	-	-	-	-	(6,347)	-
Surplus / (deficit)	**47**	**12**	**63**	**58**	**-**	**3,254**

28 Trust funds

Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Council 2018 $'000	Council 2017 $'000
	7,927	6,907	7,557	6,270

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities.

The Sunshine Coast Regional Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

29 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

		Consolidated		Council		
		2018	2017	2018	2017	
	Note	$'000	$'000	$'000	$'000	
Net result		**123,006**	**211,914**	**78,376**	**174,850**	*
Non-cash items						
Depreciation and amortisation		76,353	71,676	76,342	71,673	
Share of net profit of associate		(44,521)	(36,992)	-	-	
Contributed assets		(61,000)	(168,222)	(61,000)	(168,222)	
		(29,168)	(133,537)	15,342	(96,547)	
Investing activities						
Net loss on disposal of property, plant and equipment		22,971	50,803	22,971	50,803	
Capital grants and contributions		(38,993)	(46,790)	(38,993)	(46,790)	
		(16,022)	4,013	(16,022)	4,014	
Changes in operating assets and liabilities						
(Increase)/decrease in receivables		2,922	(5,382)	3,845	(5,218)	
(Increase)/decrease in inventory		(7,580)	1,143	(7,612)	1,137	
Increase/(decrease) in payables		17,693	9,770	16,570	9,535	
Increase/(decrease) other liabilities		7,552	4,293	7,527	4,293	
Increase/(decrease) in other provisions		3,792	2,430	3,793	2,398	
		24,380	12,254	24,122	12,144	
Net cash inflow from operating activities		**102,196**	**94,644**	**101,819**	**94,461**	

** Comparative figures have been restated. Refer to Note 34 for details*

30 Reconciliation of liabilities arising from finance activities

	As at 30 June 2017 $'000	Cash flows $'000	Non-cash changes (new leases) $'000	As at 30 June 2018 $'000
Loans	290,056	1,232	-	291,288
	290,056	**1,232**	**-**	**291,288**

31 Financial instruments and financial risk management

Sunshine Coast Regional Council has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies specifically for managing credit, liquidity and market risk.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. Council aims to manage volatility to minimise potential adverse effects on the financial performance of Council.

Council does not enter into derivatives.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligation.
The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982.*

No collateral is held as security relating to the financial assets held by the Council.

The following represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

		Consolidated		Council	
Financial assets	**Note**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Cash and cash equivalents	11	292,118	283,987	290,202	282,368
Receivables - rates	12	3,982	4,595	3,982	4,595
Receivables - loan	12	9,004	5,937	9,004	5,937
Receivables - other	12	35,164	11,678	30,597	11,521
Loan to Unitywater - subordinate debt and working capital	12	434,393	434,393	434,393	434,393
Shares held in controlled entities	12	-	-	500	500
Other credit exposures					
Guarantees	24	2,829	2,980	2,829	2,980
Total financial assets		**774,661**	**743,571**	**768,678**	**742,295**

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. An analysis of outstanding receivables is shown in Note 12.

Cash and cash equivalents

Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other financial assets

Other investments are held with financial institutions, which are rated A-1+ to A-3 based on rating agency S&P Global Ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Trade and other receivables

In the case of rate receivables, the council has the power to sell the property to recover any defaulted amounts. In effect this power protects the council against credit risk in the case of defaults.

In other cases, Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of Councils operations, there is a geographical concentration of risk in Council's area.

Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

Council is also exposed to liquidity risk through the Participating Local Government Fixed Rate Loan Agreement (Subordinated Debt) between Council and Northern SEQ Distributor-Retailer Authority (trading as Unitywater). Under the Agreement the borrower may request the lender to capitalise all or part of the interest payable, thereby representing a risk to securing cash flow anticipated by Council.

The following sets out the liquidity risk of financial liabilities held by Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

Consolidated	**Note**	**0 to 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
2018					
Trade and other payables	18	66,728	-	-	66,728
Loans - Queensland Treasury Corporation (QTC)	19	31,163	125,418	212,595	369,175
Loans - Economic Development Queensland (EDQ)	19	840	3,360	7,560	11,760
		98,731	128,778	220,155	447,663
2017					
Trade and other payables	18	42,151	-	-	42,151
Loans - QTC	19	29,815	119,202	226,573	375,590
Loans - EDQ	19	847	3,388	8,365	12,600
		72,813	122,590	234,938	430,341

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Liquidity risk (continued)

Council		0 to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2018					
Trade and other payables	18	61,683	-	-	61,683
Loans - QTC	19	31,163	125,418	212,595	369,175
Loans - EDQ	19	840	3,360	7,560	11,760
		93,686	128,778	220,155	442,619
2017					
Trade and other payables	18	41,783	-	-	41,783
Loans - QTC	19	29,815	119,202	226,573	375,590
Loans - EDQ	19	847	3,388	8,365	12,600
		72,445	122,590	234,938	429,973

The outflows in the above table are not expected to occur significantly earlier and are not expected to be for significantly different amounts than indicated in the table.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect Council's income or the value of its holdings of financial instruments

Interest rate risk

Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation, investments held with other financial institutions and shareholder loans with the Northern SEQ Distributor Retailer Authority (Unitywater).

Council also has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Council's loan from Economic Development Queensland is interest free as therefore not subject to interest rate risk.

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

Consolidated	Net carrying amount		Profit		Equity	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets	-	-	-	-	-	-
Financial liabilities	(3,068)	(3,078)	(3,068)	(3,078)	(3,068)	(3,078)
Net total	**(3,068)**	**(3,078)**	**(3,068)**	**(3,078)**	**(3,068)**	**(3,078)**

Council	Net carrying amount		Profit		Equity	
	2,018 $'000	2,017 $'000	2,018 $'000	2,017 $'000	2,018 $'000	2,017 $'000
Financial assets	-	-	-	-	-	-
Financial liabilities	(3,068)	(3,078)	(3,068)	(3,078)	(3,068)	(3,078)
Net total	**(3,068)**	**(3,078)**	**(3,068)**	**(3,078)**	**(3,068)**	**(3,078)**

The risk in borrowing is effectively managed by borrowing only from the Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be minimised. Interest rate risk in other areas is minimal.

In its management of interest rate risk associated with Unitywater shareholder loans, Council has a number of options available to mitigate risk from market interest rate movements including:

* Principal reduction for corresponding external loan liabilities
* Conversion of current external loan liabilities from principal and interest repayments to payment of interest only with terms negotiated to match the review periods with Unitywater shareholder loans; or
* Undertake interest rate hedging through QTC to protect against market fluctuations in interest rates payable by Unitywater.

The fair value of interest bearing loans and borrowings is calculated based on the discounted expected future cash flows. The fair values of the loans and borrowings, together with their carrying amounts, are as follows:

	Carrying Amount		Fair Value	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Queensland Treasury Borrowings	279,528	277,456	306,750	307,829

Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market rate is provided by QTC and is disclosed in Note 19.

QTC applies a book rate approach in the management of debt and interest rate risk to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2018

32 National competition policy

Competition reforms may be applied to significant business activities and business activities

Applying National Competition Policy to activities deemed to be in competition with, or potentially in competition with, the private sector, requires the application of competitive neutrality principles (including full cost pricing) to remove the advantages and disadvantages of public ownership within that activity.

Full cost pricing in simple terms means that, on average, prices should fully recover all the relevant costs of supplying a product or service and total revenue received by the business should equal the sum of:

a) Efficient operating expenses including tax equivalents;
b) A return of capital (i.e. depreciation expense); and
c) A return on capital (i.e. cost of debt plus return on equity invested in the business).

Full cost pricing is achieved if the total expected revenue from all sources, including subsidies and community service obligations, is sufficient to meet expected total costs as defined above.

Council provides funding from general revenue to the business activity to cover the net cost of providing non-commercial community services obligations.

(a) Significant business activities

The expenditure threshold amounts for identifying a "significant business activity" for the 2017/18 financial year are as follows:

a) for water and sewerage combined activities - $13.96 million (2017 $13.7 million)

b) for other activities - $9.35 million (2017 $9.2 million)

Waste and Resources Management was a significant business activity and applied the competitive neutrality principle via full cost pricing. There were no new significant business activities.

(b) Activities to which the code of competitive conduct is applied

Council has resolved to apply a Code of Competitive Conduct to the following business activities.

a) Sunshine Coast Airport
b) Sunshine Coast Holiday Parks
c) Quarry Business Activity

The following activity statements are for activities subject to the competitive code of conduct:

	Quarry Business Activity	Sunshine Coast Holiday Parks	Waste and Resource Management
	2018	2018	2018
	$'000	$'000	$'000
Revenue for services provided to Council	8,204	1,171	972
Revenue for services provided to external	24	16,410	60,867
Community Service Obligations (CSO's)	-	-	1,084
	8,228	17,581	62,923
Less : Expenditure	8,255	10,899	51,593
Surplus / (deficit)	**(26)**	**6,683**	**11,331**

Description of CSO's provided to business activities:	**Net cost**
	2018
Waste and resource management	**$'000**
Waste collection and disposal charges for charitable organisations	1,084

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2018

33 Related party disclosures

The group consists of Sunshine Coast Regional Council, its wholly owned entities and one associate. All subsidiaries are consolidated. Details of subsidiaries and associates are disclosed in Note 1.03.

(a) Transactions with Subsidiaries

SunCentral Maroochydore Pty Ltd (wholly owned entity)

Details	2018 $'000	2017 $'000
Revenue		
Receipt of contributions and sponsorship from subsidiary	30	
Expenditure		
Purchase of materials and services from subsidiary	(70)	
Annual development management fee paid to subsidiary	(1,897)	(2,040)
Maroochydore City Centre development costs paid to the subsidiary in accordance with established Development Service Contracts	(18,281)	(9,235)
Total	**(20,218)**	**(11,275)**

SunCentral Maroochydore Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2018/19 financial year. No SunCentral employees are related parties of Council.

Sunshine Coast Events Centre Pty Ltd (wholly owned entity)

Details	2018 $'000	2017 $'000
Revenue		
Recoupment of operating costs paid on behalf of the subsidiary	264	252
Recoupment of internal service costs from the subsidiary	87	52
Expenditure		
Operational funding paid to subsidiary	(1,464)	(1,400)
Purchase of materials and services from subsidiary	(76)	(26)
Maintenance and equipment provided to subsidiary	(211)	(125)
Payment of operating costs on behalf of the subsidiary	(286)	(260)
Provision of internal services to the subsidiary	(509)	(432)
Capital expenditure incurred on the property	(778)	(1,999)
Total	**(2,971)**	**(3,937)**

Sunshine Coast Events Centre Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2018/19 financial year. Cr Dwyer, a member of Council's Key Management Personnel, was appointed to the Board of The Sunshine Coast Events Centre Pty Ltd by a resolution of the Sunshine Coast Council in June 2008. No Events Centre employees are related parties of Council.

Notes to the Financial Statements

For the year ended 30 June 2018

Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust (wholly owned entity until 1 December 2017)

Details	**2018 $'000**	**2017 $'000**
Revenue		
Recoupment of employee costs, water and sewerage charges	1,310	-
Expenditure		
Payment of employee costs, water and sewerage charges	(1,324)	-
Total	**(15)**	**-**

In preparation for completion under the SCA Share Sale and Purchase Agreement Council established Sunshine Coast Airport Pty Ltd, a proprietary company limited by shares, as well as The Trustee for Sunshine Coast Airport Trust, a unit trust established by deed. Council owned all the issued shares in the company as well as all the issued units in the trust, until sold on 1 December 2017 to Palisade Investment Partners Pty Limited in conjunction with commencement of the 99 year lease of the Sunshine Coast Airport.

(b) Transactions with associates

Unitywater (associate)

Details	**2018 $'000**	**2017 $'000**
Revenue		
Interest paid to Council	22,502	23,154
Recoupment Unitywater expenses incurred by Council	553	553
Participation returns (dividends) paid to Council	268	13,837
Tax equivalent paid to Council	27,069	12,847
Sale of land to Unitywater	715	-
Expenditure		
Water and sewerage charges for Council properties	(5,416)	(4,179)
Purchase of materials and services	(1,931)	(4,331)
Total	**43,760**	**41,881**

Further detail regarding Unitywater is contained in Note 14 Investment in associates.

(c) Transactions with Key Management Personnel

Key Management Personnel include the Mayor, Councillors, Council's Chief Executive Officer and members of the Board of Management (previously the Executive Leadership Team). Following implementation of the new organisational structure in October 2017, the number of permanent Key Management Personnel increased from 17 in 2016/17 to 22 in 2017/18. Compensation paid to Key Management Personnel for the 2017/18 financial year comprises:-

Details	**2018 $'000**	**2017 $'000**
Short term employee benefits	(4,317)	(3,370)
Post employment benefits	(448)	(393)
Long term employee benefits	(52)	(38)
Termination benefits	(658)	-
Total	**(5,475)**	**(3,801)**

Detailed remuneration disclosures for Councillors are provided in the annual report.

The amounts disclosed in the above table are amounts related to Key Management Personnel recognised as an expense during the reporting period.

(d) Transactions with other related parties

Other related parties include the close family members of Key Management Personnel and any entities controlled or jointly controlled by Key Management Personnel or their close family members. Close family members include a spouse, child and dependent of a member of Key Management Personnel or their spouse.

Details of transactions between Council and other related parties are disclosed below.

	Details	2018 $'000	2017 $'000
(i)	Employee expenses for close family members of key management personnel	(152)	(153)
(ii)	Purchase of materials and services from entities controlled by close family members of key management personnel	(1,178)	(1,129)
	Total	**(1,331)**	**(1,282)**

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform. Council employs 1,803 (1,764 in 2016/17) staff of which only 2 (3 in 2016/17) are close family members of key management personnel.

(ii) Sunshine Coast Council purchased civil construction services from Civlec Pty Ltd trading as Trafflec, a company controlled by a close family member of Cr Dwyer. This contract was awarded under Council's Procurement Policy, all purchases were at arm's length and in the normal course of Council operations. This amount represents 0.58% (0.64% in 2016/17) of the total amount spent on capital expenditure. Practical completion and defects liabilities guarantees totalling $47,148 ($77,964 in 2016/17) were provided to Council by the company.

(e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with other parties.

	Receivables		2018 $'000	2017 $'000
	Not past due		12	17
(i)	Past due	more than 90 days	17	17
	Total Owing		**29**	**34**

(i) Outstanding balance relates to works performed by Council for Unitywater.

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(f) Loans and guarantees to/from related parties

Details	2018 $'000	2017 $'000
Loan to associate (Unitywater) - subordinated debt	434,393	434,393

Refer to Note 31 Financial instruments and financial risk management.

(g) Transactions with related parties that have not been disclosed

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

- Payment of rates
- Use of Council swimming pools
- Payment of animal registration
- Attendance at a Council event

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

34 Restated balances

(a) During 2017/18, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2017. As a result, for 2016/17 Council had understated its contributed revenue and property, plant and equipment by $34.449 million and applicable depreciation $0.127 million. Prior to 1 July 2016, contributed revenue and property, plant and equipment had been understated by $3.955 million and applicable depreciation $0.063 million. Depreciation expense in 2016/17 was understated by $0.190 million. To correct the impact of the prior period error, Council has adjusted the 2016/17 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

(b) During 2017/18, Council discovered non-current assets that should have been recognised in previous financial years. Discovered Assets recognised totalling $3.411 million are land $0.399 million, roads $0.562 million and stormwater $2.450 million.

(c) During 2017/18, Council identified a loan receivable that should have been recognised in 2016/17. The total loan receivable is $8.1 million with $5.9 million relating to 2016/17. Repayment of the loan to Council is expected to commence during 2018/19.

(d) Discount allowed for developer contributions has been reclassified from Materials and services under Recurrent expenses to Grants, subsides, contributions and donations in Non-recurrent revenue. This brings the accounting treatment for this in line with *AASB 118 Revenue.*

(e) During 2017/18, Council identified a prior period error that related to duplicate stormwater assets that had commission dates prior 1 July 2017. As a result, property, plant and equipment was overstated by $11.493 million and applicable depreciation $0.246 million. Also identified were stormwater assets with commission dates prior to July 2017 that did not align to spatial information, which resulted in property, plant and equipment being overstated by $12.622 million and applicable depreciation of $4.254 million. Depreciation expense was overstated in 2016/17 by $1.132 million.

(f) The ownership of the Sunshine Coast Airport (SCAPL) was transferred to Palisade on the 1st December 2017 and has been reported separately from Councils Continued Operations on the Statement of Comprehensive Income. Refer note 10 for further details.

Details of the adjustments impacting financial statement line items are provided below

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2018

34 Restated balances (continued)

30 June 2017 Comparative year

Financial statement line item / balance affected

	Council	Note	Actual 2017 $'000	Adjustments 2017 $'000	Restated Actual 2017 $'000
	Statement of Comprehensive Income (Extract)				
	Non-recurrent revenue				
(a,d)	Grants, subsidies, contributions and donations	4(b)	179,818	34,561	214,379
	Total non-recurrent revenue		**179,818**	**34,561**	**214,379**
	Recurrent expenses				
(d,f)	Materials and services	6	(186,337)	11,365	(174,972)
(e,f)	Depreciation and amortisation	16	(71,483)	942	(70,542)
(f)	Discontinued operations other	10	-	3,348	3,348
	Total recurrent expenses		**(402,856)**	**15,655**	**(387,201)**
(a,d,e)	**Net result (deficiency)**		**139,847**	**35,003**	**174,850**
	Total comprehensive income for the year		**97,882**	**35,003**	**132,885**

	Council	Note	Actual 2017 $'000	Adjustments 2017 $'000	Restated Actual 2017 $'000
	Statement of Financial Position (Extract)				
	Non-current assets				
(c)	Trade and other receivables	**12**	434,893	5,937	440,830
(a),(b).(c)	Property, plant and equipment	**16**	3,753,549	29,066	3,782,615
	Total non-current assets		**4,774,746**	**35,003**	**4,809,750**
	Total assets		**5,193,916**	**35,003**	**5,228,920**
	Community equity				
(a),(b)	Retained surplus/(deficiency)		3,928,772	35,003	3,963,775
	Total community equity		**4,775,940**	**35,003**	**4,810,943**

	Council	Note	Actual 2017 $'000	Adjustments 2017 $'000	Restated Actual 2017 $'000
	Statement of changes in equity (Extract)				
	Retained surplus				
(a)	Balance as at the 1 July 2016		4,633,867		4,633,867
	Net result		142,073	35,003	177,076
	Balance as at 30 June 2017		**4,775,940**	**35,003**	**4,810,943**

Sunshine Coast.
COUNCIL

Financial statements
For the year ended 30 June 2018

MANAGEMENT CERTIFICATE
For the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to section 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with Section 212(5) of the Regulation we certify that:

(i) The prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) The general purpose financial statements, as set out on pages 1 to 51, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

....	....
Cr Mark Jamieson Mayor	Michael Whittaker Chief Executive Officer
Sunshine Coast Regional Council	Sunshine Coast Regional Council
Dated 8 October 2018	Dated 8 October 2018

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Sunshine Coast Regional Council (the Council) and its controlled entities (the Group).

In my opinion, the financial report:

a) gives a true and fair view of the Council's and Group's financial position as at 30 June 2018, and of their financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2018, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the Council and the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

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Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements. I addressed these matters in the context of the audit of the financial report as a whole and in forming my opinion. I do not provide a separate opinion on these matters.

Infrastructure assets valuation using current replacement cost ($3,016 million)

Refer to note 16 in the financial report.

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr>
<td>Council's infrastructure assets (road and bridge network, stormwater network and other infrastructure) were measured at fair value at balance date using the current replacement cost method that comprises:
• Gross replacement cost, less
• Accumulated depreciation
Council values the gross replacement cost of its infrastructure assets with reference to the unit rate at which it could construct a substitute asset of comparable quality in the normal course of business.

Council engaged a valuation specialist to comprehensively revalue and develop unit cost rates for the stormwater network as at 30 June 2018. For other infrastructure assets, the council engaged qualified consultants to provide cost movement indices to derive unit rates.

Unit rates require significant judgement for determining the:
• parts of assets (components) that are replaced at different times in the asset life-cycle, or that have materially different replacement costs due to physical location attributes
• average project dimensions
• tasks (and applicable costs) required for replacing components, excluding those that result in duplication or are ineligible for inclusion in the cost of an asset
• on-costed labour charges
• directly attributable service, materials, and plant costs (inputs) for each applicable task
• indices for measuring subsequent changes in unit rates.</td>
<td>My procedures included, but were not limited to:

• Assessing the reasonableness of unit rates by:
o Evaluating the methods by which Council determined the movement in unit cost indices and reasonableness of the result. This was done by:
– inquiring with Council management and the independent valuer to identify if there had been any significant changes to construction costs resulting from factors such as changed building codes, environmental or safety regulations, construction methods and technological advances.
– corroborating Council's representations against recent construction activity and asset management plans.
– assessing the competence, capabilities and objectivity of valuers who have provided information on unit rates and unit cost movements
– obtaining an understanding of the methodologies used and assessing their design, integrity and appropriateness with reference to common industry practice
– considering evidence of labour rate changes and supplier rate changes
– comparison with other publicly available indices and other available information on the movement of key cost drivers.
• Assessing the reasonableness of infrastructure assets useful lives by:
o reviewing management's annual assessment of useful lives.
o reviewing for evidence of infrastructure obsolescence, failure or disposals that could indicate a remaining useful life less than what is recorded.
o reviewing for evidence of infrastructure assets continuing to be used for longer than their recorded useful lives.
o comparing Council's infrastructure useful life assumptions to other local councils.</td>
</tr>
</table>

Key audit matter	How my audit addressed the key audit matter
In measuring accumulated depreciation, Council's engineers and asset managers use significant judgement for estimating how long asset components with long lives will provide future economic benefits for. Asset lives are dependent on a range of factors including asset management practices, maintenance programs, construction materials and construction methods, obsolescence, environmental factors, degradation through use, management intentions and fiscal availability. The significant judgements required for gross replacement cost and useful lives outlined above are also significant for calculating annual depreciation expense.	○ considering whether Council's asset management plans are consistent with useful lives assigned to infrastructure assets. ○ assessing Council's processes for performing asset condition assessments and making adjustments in its asset registers and financial systems.

Other information

Other information comprises the information included in the Sunshine Coast Regional Council annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Council for the financial report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Council is also responsible for assessing the Council's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the Council or to otherwise cease operations of the Group.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Council's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's and the Group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's or the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the Group. I remain solely responsible for my audit opinion.

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

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Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

15 October 2018

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Sunshine Coast. COUNCIL

Current Year Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2018

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

		Consolidated 2018	Council 2018	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	10.6%	1.2%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	70.3%	70.3%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	21.2%	23.9%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Certificate of Accuracy
For the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

....	....
Cr Mark Jamieson	Michael Whittaker
Mayor	Chief Executive Officer
Sunshine Coast Regional Council	Sunshine Coast Regional Council
Dated ....8 October 2018	Dated ....8 October 2018

Queensland Audit Office
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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Sunshine Coast Regional Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Sunshine Coast Regional Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Sunshine Coast Regional Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

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

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

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

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

15 October 2018

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Sunshine Coast. COUNCIL

Long-Term Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2018

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2018	Forward Estimates 30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Council												
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	1.2%	5.4%	7.9%	7.6%	11.9%	11.5%	11.8%	9.4%	8.5%	13.3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	70.3%	75.6%	65.7%	67.3%	67.6%	67.3.%	68.5%	67.1%	64.9%	66.2%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	23.9%	76.1%	89.6%	93.9%	24.4%	25.6%	21.9%	17.6%	11.5%	6.1%

Sunshine Coast Regional Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

The above table shows whether Sunshine Coast Regional Council is performing within accepted target ranges. It clearly indicates that Council is achieving or out-performing the identified benchmarks in both of the key liquidity measures apart from the years 2018/19 to 2020/21 for the Net Financial Liabilities Ratio.

The Net Financial Liabilities Ratio reflects the extent to which the net financial liabilities of Council can be repaid from operating revenue. The 10 year capital works program requires significant borrowings for the Sunshine Coast Airport Runway Project which is to be repaid on completion of the runway in 2022. Consultation with Queensland Treasury Corporation (QTC) was undertaken for the financial assessment of this project, particularly Council's ability to manage the Net Financial Liabilities Ratio.

The Department of Local Government, Racing and Multicultural Affairs Financial Management (Sustainability) Guideline 2013 states "high average Net Financial Liabilities ratio projections over the long-term are typically indicative of a local government that is undertaking/has undertaken significant infrastructure projects. Whilst some local governments may not achieve the recommended target for Net Financial Liabilities Ratio on average over the long-term, this does not necessarily indicate that a local government is likely to be unsustainable over the long-term. In such cases, well-managed local governments with robust financial management systems and the ability to service current and projected debt levels, can maintain long-term sustainability and average Net Financial Liabilities ratio projections over the long-term that exceed the recommended target."

For the Asset Sustainability ratio, there is an ongoing review of asset management plans that will confirm the desired level of expenditure on the renewal and refurbishment of council assets. This will enable a review of the capital program to ensure an appropriate level of work is scheduled for existing assets.

Certificate of Accuracy
For the year ended 30 June 2018

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Cr Mark Jamieson Mayor Sunshine Coast Regional Council	Michael Whittaker Chief Executive Officer Sunshine Coast Regional Council
Dated ....8 October 2018	Dated ....8 October 2018