

Your ref:
Our ref: 2021-4139
Charles Strickland 3149 6032

OFFICIAL

8 October 2021

Ms E Thomas
Chief Executive Officer
Sunshine Coast Regional Council
PO Box 72
SUNSHINE COAST MAIL CENTRE QLD 4560

Dear Ms Thomas

**General Purpose Financial Statements—2020–21
Current Year Financial Sustainability Statement—2020–21**

- Sunshine Coast Regional Council

The certified General Purpose Financial Statements are enclosed. I have issued an unmodified 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 Deputy Premier and Minister for State Development, Infrastructure, Local Government and Planning.

Yours sincerely



C G Strickland
Senior Director

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

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FINANCIAL STATEMENTS

For the year ended 30 June 2021

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Unaudited Long Term Financial Sustainability Statement

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Statements of Comprehensive Income

For the year ended 30 June 2021

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Income					
Revenue					
Recurrent revenue					
Net rates, levies and utility charges	3(a)	319,052	311,897	319,349	311,897
Fees and charges	3(b)	66,449	54,737	65,233	53,274
Sales from contracts and recoverable works	3(c)	11,601	14,065	11,601	14,138
Grants, subsidies, contributions, donations and other	4(a)	18,681	16,711	16,643	15,613
		415,782	397,410	412,826	394,922
Share of tax equivalents of equity accounted	3(d)	17,054	16,409	17,054	16,409
Dividend income equity accounted investment	3(e)	-	-	13,200	12,321
Interest received	5	24,700	26,556	24,672	26,490
Rental income	19	3,323	3,003	3,155	2,798
Profit from equity accounted investment	14	51,981	53,787	-	-
		97,057	99,755	58,080	58,018
Total recurrent revenue		512,839	497,165	470,907	452,940
Non-recurrent revenue					
Grants, subsidies, contributions, donations and other	4(b)	181,658	157,058	181,658	157,058
Sales from contracts	4(c)	14,373	186	14,373	186
		196,032	157,244	196,032	157,244
Total income		708,871	654,410	666,939	610,185
Expenses					
Recurrent expenses					
Employee benefits	6	(151,229)	(153,356)	(149,238)	(151,197)
Materials and services	7	(205,418)	(200,014)	(202,887)	(197,965)
Finance costs	8(a)	(12,575)	(10,549)	(12,535)	(10,523)
Early repayment adjustment	8(b)	(34,346)	-	(34,346)	-
Contributions to controlled entities	9	-	-	(1,562)	(1,527)
Depreciation and amortisation					
Property, plant and equipment	16	(91,039)	(89,097)	(91,013)	(89,038)
Intangible assets	17	(2,653)	(2,957)	(2,653)	(2,957)
Right of use assets	19	(4,490)	(4,575)	(4,490)	(4,575)
		(501,748)	(460,549)	(498,722)	(457,782)
Total recurrent expenses		(501,748)	(460,549)	(498,722)	(457,782)
Non-recurrent expenses					
Loss on disposal property, plant and equipment, intangibles and other.	10	(851)	(10,631)	(851)	(10,631)
Movements in landfill and quarry provisions	22	(3,013)	(4,897)	(3,013)	(4,897)
Assets transferred to third parties	10	(17)	(567)	(17)	(567)
		(3,881)	(16,095)	(3,881)	(16,095)
Total non-recurrent expenses		(3,881)	(16,095)	(3,881)	(16,095)
Total expenses		(505,630)	(476,644)	(502,603)	(473,877)
Net result (deficiency)		203,241	177,766	164,335	136,308
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus	16(a)	-	(4,368)	-	(4,368)
Total other comprehensive income		-	(4,368)	-	(4,368)
Total comprehensive income for the year		203,241	173,397	164,335	131,940

Statements of Financial Position

For the year ended 30 June 2021

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets					
Current assets					
Cash and cash equivalents	11	208,320	199,675	206,199	197,632
Trade and other receivables	12	47,957	17,779	47,868	17,220
Contract receivables	12	296,772	-	296,772	-
Inventories	13	12,497	13,878	12,464	13,850
Other assets	15	26,944	22,817	26,917	22,782
Total current assets		592,489	254,149	590,220	251,485
Non-current assets					
Trade and other receivables	12	434,393	455,629	434,893	456,129
Contract receivables	12	-	248,226	-	248,226
Inventories	13	36,568	38,636	36,568	38,636
Equity accounted investments	14	840,920	802,139	538,213	538,213
Property, plant and equipment	16	4,761,395	4,542,250	4,761,383	4,542,219
Intangible assets	17	10,908	11,883	10,908	11,883
Right of use assets	19	7,711	10,087	7,616	10,021
Total non-current assets		6,091,895	6,108,850	5,789,580	5,845,328
Total assets		6,684,385	6,362,999	6,379,800	6,096,813
Liabilities					
Current liabilities					
Trade and other payables	18	54,748	64,050	54,266	62,976
Lease liabilities	19	3,263	4,405	3,192	4,339
Contract liabilities	20	10,251	11,257	10,251	11,257
Borrowings	21	21,674	31,316	21,674	31,316
Provisions	22	26,300	30,092	26,116	29,917
Other liabilities	23	13,284	11,154	13,228	11,124
Total current liabilities		129,520	152,274	128,726	150,928
Non-current liabilities					
Lease liabilities	19	4,741	6,077	4,717	6,077
Borrowings	21	657,290	519,735	657,290	519,735
Provisions	22	55,396	50,717	55,227	50,567
Total non-current liabilities		717,427	576,529	717,234	576,379
Total liabilities		846,947	728,803	845,960	727,308
Net community assets		5,837,437	5,634,196	5,533,840	5,369,505
Community equity					
Asset revaluation surplus		658,224	658,224	658,224	658,224
Retained surplus		5,179,213	4,975,972	4,875,616	4,711,281
Total community equity		5,837,437	5,634,196	5,533,840	5,369,505

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

Statements of Changes in Equity
For the year ended 30 June 2021

Consolidated

	Asset revaluation surplus \$'000	Retained surplus \$'000	Total \$'000
<u>For the year ended 30 June 2021</u>			
Balance as at 1 July 2020	658,224	4,975,972	5,634,196
Net result	-	203,241	203,241
Balance as at 30 June 2021	658,224	5,179,213	5,837,437

For the year ended 30 June 2020

Balance as at 1 July 2019	662,593	4,801,869	5,464,461
Adjustment on initial application of AASB 15 / AASB 1058	-	(8,557)	(8,557)
Adjustment on initial application of AASB 16	-	(441)	(441)
Restated balance at 1 July 2019	662,593	4,792,871	5,455,463
Prior year adjustment	34	5,336	5,336
Increase (decrease) in asset revaluation surplus	16(a)	-	(4,368)
Net result	-	177,766	177,766 *
Balance as at 30 June 2020	658,224	4,975,972	5,634,196 *

Council

	Asset revaluation surplus \$'000	Retained surplus \$'000	Total \$'000
<u>For the year ended 30 June 2021</u>			
Balance as at 1 July 2020	658,224	4,711,281	5,369,505
Net result	-	164,335	164,335
Balance as at 30 June 2021	658,224	4,875,617	5,533,840

For the year ended 30 June 2020

Balance as at 1 July 2019	662,593	4,578,635	5,241,228
Adjustment on initial application of AASB 15 / AASB 1058	-	(8,557)	(8,557)
Adjustment on initial application of AASB 16	-	(441)	(441)
Restated balance at 1 July 2019	662,593	4,569,637	5,232,230
Prior year adjustment	34	5,336	5,336
Increase (decrease) in asset revaluation surplus	16(a)	-	(4,368)
Net result	-	136,308	136,308 *
Balance as at 30 June 2020	658,224	4,711,281	5,369,505 *

Statements of Cash Flows
For the year ended 30 June 2021

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash flows from operating activities					
Receipts from customers		390,878	401,156	381,616	383,742 *
Payments to suppliers and employees		(369,218)	(403,373)	(360,013)	(386,303) *
		21,660	(2,216)	21,603	(2,561)
Interest and dividends received	3(d),(e) & 5	54,953	55,258	54,926	55,220
Recurrent grants and contributions	4(a)	16,643	15,613	16,643	15,613
Borrowing costs	8	(10,660)	(8,399)	(10,660)	(8,399)
Finance costs	8	(1,621)	(2,124)	(1,621)	(1,522) *
Net cash inflow (outflow) from operating activities	29	80,976	58,131	80,891	58,351
Cash flows from investing activities					
Payments for property, plant and equipment		(212,031)	(311,040)	(212,026)	(311,033)
Net movement in loans and advances		4,176	5,079	4,176	5,079
Proceeds from sale of property, plant and equipment		1,835	1,922	1,835	1,922
Contract receivable (Sunshine Coast Airport Expansion Project)		(48,539)	(105,298)	(48,539)	(105,298)
Proceeds from sale of inventory (Sunshine Coast Airport Expansion Project)		14,373	104,914	14,373	104,914
Grants, subsidies, contributions and donations		79,134	41,375	79,134	41,375
Net cash inflow (outflow) from investing activities		(161,053)	(263,049)	(161,047)	(263,042)
Cash flows from financing activities					
Proceeds from borrowings	30	119,862	164,609	119,862	164,609
Repayment of borrowings		(26,549)	(21,046)	(26,549)	(21,046)
Repayments made on leases (principal only)		(4,589)	(4,662)	(4,589)	(4,662)
Net cash inflow (outflow) from financing activities		88,724	138,901	88,724	138,901
Net increase (decrease) in cash and cash equivalents held		8,646	(66,016)	8,567	(65,789)
Cash and cash equivalents at beginning of financial year		199,675	265,691	197,632	263,421
Cash and cash equivalents at end of the financial year	11	208,320	199,675	206,199	197,632

Notes to Financial Statements

For the year ended 30 June 2021

1 Information about these financial statements

1.01 Basis of Preparation

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment.

1.02 Recurrent/Non-recurrent Classification

Revenue and expenditure are presented as "recurrent" or "non-recurrent" in the Statements 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 revenue" or "Non-recurrent expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- movements in landfill and quarry provisions
- revaluations of property, plant and equipment.
- financial impacts of the Sunshine Coast Airport Expansion Project and Maroochydore City Centre land sales

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

1.03 Basis of Consolidation

Council and its controlled entities together form 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.

Notes to Financial Statements

For the year ended 30 June 2021

Council had an interest in three (3) entities during the year being Sunshine Coast Events Centre Pty Ltd, SunCentral Maroochydore Pty Ltd and the Sunshine Coast Arts Foundation Ltd. Council wholly owns the issued shares of Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd, and is currently the main financial contributor to the Sunshine Coast Arts Foundation Ltd.

Transactions between Council and both Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd have been eliminated when preparing consolidated accounts. In addition, the accounting policies of these controlled entities have been adjusted on consolidation where necessary, to ensure the financial statements of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Sunshine Coast Arts Foundation Ltd is not consolidated into Council's financial statements due to its size and nature. Information on controlled entities is included in Note 27.

1.04 Constitution

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

1.05 New and Revised Accounting Standards Adopted During the Year

Council adopted all standards which became mandatory effective for annual reporting periods beginning on 1 July 2020. None of the standards had a material impact on reported position, performance and cash flows.

1.06 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021. These standards have not been adopted by Council and will be included in the financial statements on their effective date if their application is material to Council.

1.07 Estimates and Judgements

Council makes a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

Valuation and depreciation of property, plant and equipment - Note 16

Impairment of property, plant and equipment - Note 16

Provisions - Note 22

Contingencies - Note 25

Financial instruments and financial risk management - Note 31

Revenue recognition - Note 3

Notes to Financial Statements

For the year ended 30 June 2021

1.08 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 is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard. Restated balances are detailed in Note 34 and indicated with an asterisk (*) throughout the financial statements.

1.09 Disclosure of Other Comprehensive Income for Equity Accounting Investments

Where Council has an equity accounted investment (associate or joint venture) with Other Comprehensive Income, Council's share of that other comprehensive income is reflected in the relevant section of the Statements of Other Comprehensive Income.

1.10 Volunteer Services

Council works with a diverse range of Sunshine Coast community members and organisations to deliver services and programs to the community including community and major events, environment and wildlife protection, regional heritage, libraries and arts and the Caloundra Music Festival. The volunteer services associated with the Sunshine Coast Stadium are recognised in the Statement of Comprehensive Income with remaining volunteer services not recognised as they are either not material or would not have been purchased if not donated.

1.11 Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax (FBT), 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.

1.12 COVID-19

Council's operations for the year ended 30 June 2021 have been impacted by the COVID-19 pandemic. The following steps were taken by Council in response to the pandemic during the year:

	\$'000
Rates discount \$35 per rateable property	(5,069)
COVID-19 recovery grants for community organisations	(1,388)
Movement of parking regulations to education and health/safety rather than issuing infringements	(1,000)
Additional payment to Visit Sunshine Coast for promotional advertising	(500)
Increased cleaning based on Queensland Health advice	(381)
Additional plant hire costs due to COVID restrictions	(163)
Cancellation of the Caloundra Music Festival	249

In addition to the above, Council was also impacted by:

- reduced hours / capacity in facilities / impact on growth & activity	(355)
- reimbursement/waiver of fees	(155)
- continued amendment of all supplier payment terms to 7 days	

Total COVID-19 impact **(8,762)**

Notes to Financial Statements

For the year ended 30 June 2021

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

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

Offices of the CEO and the Mayor

The Offices of the CEO and the Mayor provide support and advice to the Mayor, Councillors, Chief Executive Officer (CEO), and Executive Leadership Team and deliver key functions for the organisation including:

- Audit & Assurance
- Communications
- Corporate Governance
- Legal Services
- Major Projects and Strategic Property
- Strategy and Coordination

Built Infrastructure Group

The Built Infrastructure Group is focussed on managing and maintaining the region's built infrastructure. Key functions include:

- Asset Management
- Civil Asset Management
- Parks and Gardens
- Transport and Infrastructure Planning
- Transport Infrastructure Management
- Disaster Management
- Sunshine Coast Airport Expansion

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. Key functions include:

- Business and Innovation
- Digital and Information Services
- Finance
- People and Culture
- Property Management

Notes to Financial Statements

For the year ended 30 June 2021

Customer Engagement and Planning Services Group

The Customer Engagement and Planning Services Group is focussed on delivering positive customer experiences to business and the community, particularly land use planning, development, waste and regulatory enforcement. Key functions include:

- Customer Response
- Development Services
- Strategic Planning
- Waste and Resource Management

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. Key functions include:

- Arts Heritage and Library
- Community Development
- Economic Development
- Sports and Community Venues

Liveability and Natural Assets Group

The Liveability and Natural Assets Group is focussed on taking a balanced approach to planning and delivery of sustainable environmental and infrastructure development to meet the needs of the growing population and maintain the liveability of the region. Key functions include:

- Design and Placemaking Services
- Environmental and Sustainability Policy
- Environmental Operations
- Project Delivery
- Urban Growth Projects

Region Shaping Projects

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

Notes to financial statements
For the year ended 30 June 2021
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					
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Built Infrastructure	30,668	48,912	(19,106)	60,474	(225,679)	(3,806)	38,492	(190,993)	(175,629)	(130,518)	3,746,308
Customer Engagement and Planning Services	123,375	-	(15,100)	108,275	(130,114)	(6)	25,723	(104,397)	3,884	3,878	123,244
Economic and Community Development	29,424	3,261	(104)	32,581	(99,052)	-	14,141	(84,911)	(55,592)	(52,330)	219,386
Liveability and Natural Assets	23,096	10,623	(10,363)	23,357	(60,669)	-	19,825	(40,844)	(28,110)	(17,487)	132,923
Region Shaping Projects	2,179	29,806	(8,914)	31,985	(8,914)	-	298	(8,616)	(6,437)	23,369	471,465
Business Performance	367,286	103,429	(60,601)	410,113	(81,022)	(70)	15,649	(65,443)	241,311	344,671	1,684,996
Offices of the CEO and the Mayor	15,232	-	(15,078)	153	(13,515)	-	6,115	(7,400)	(7,247)	(7,247)	1,477
Total Council	591,259	196,032	(120,352)	666,939	(618,965)	(3,881)	120,243	(502,603)	(27,815)	164,335	6,379,801
Controlled entities net of eliminations	41,933	-	-	41,933	(3,026)	-	-	(3,026)	38,906	38,906	304,584
Total Consolidated	633,192	196,032	(120,352)	708,871	(621,991)	(3,881)	120,243	(505,630)	11,091	203,241	6,684,385

For the year ended 30 June 2020
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					
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Built Infrastructure	34,046	31,532	(22,054)	43,524	(215,841)	(9,158)	39,141	(185,856)	(164,707)	(142,334)	3,639,277
Customer Engagement and Planning Services	115,424	-	(16,751)	98,673	(132,471)	(4,952)	27,074	(110,350)	(6,724)	(11,677)	121,070
Economic and Community Development	24,208	1,539	(407)	25,340	(94,963)	(613)	14,039	(81,536)	(57,122)	(56,196)	210,499
Liveability and Natural Assets	21,140	7,049	(9,243)	18,946	(61,362)	(60)	18,557	(42,865)	(30,908)	(23,920)	105,675
Region Shaping Projects	146	387	(4,031)	533	(4,031)	-	363	(3,667)	(3,521)	(3,134)	424,681
Business Performance	363,483	116,738	(57,104)	423,117	(53,630)	(1,311)	15,527	(39,414)	268,276	383,703	1,595,416
Offices of the CEO and the Mayor	15,427	-	(15,376)	51	(16,419)	-	6,233	(10,186)	(10,135)	(10,135)	193
Total Council	573,875	157,244	(120,934)	610,185	(578,716)	(16,095)	120,934	(473,876)	(4,841)	136,308	6,096,812
Controlled entities net of eliminations	44,225	-	-	44,225	(2,768)	-	-	(2,768)	41,457	41,457	266,187
Total Consolidated	618,100	157,244	(120,934)	654,410	(581,484)	(16,095)	120,934	(476,644)	36,615	177,766	6,362,999

Notes to the Financial Statements
For the year ended 30 June 2021

3 Revenue analysis

(a) Net rates, levies and utility charges

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
General rates	252,603	244,690	252,900	244,690
Waste management	65,399	60,748	65,399	60,748
Tourism and special levies	8,900	8,766	8,900	8,766
Environment levy	11,075	10,890	11,075	10,890
Rural fire levy	535	514	535	514
Valuation fees	73	94	73	94
	338,585	325,700	338,882	325,700
Total rates, levies and utility charges revenue				
Less: discounts	(15,158)	(9,656)	(15,158)	(9,656)
Less: pensioner remissions	(3,358)	(3,167)	(3,358)	(3,167)
Less: rebates	(1,017)	(980)	(1,017)	(980)
	(19,533)	(13,803)	(19,533)	(13,803)
Net rates, levies and utility charges	319,052	311,897	319,349	311,897

(b) Fees and charges

Revenue arising from fees and charges is recognised at the point in time when the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.

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

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Application fees (development)	10,486	8,348	10,486	8,348
Holiday parks	19,361	14,259	19,361	14,259
Cemetery fees	1,161	1,028	1,161	1,028
Parking fees	907	546	907	546
Refuse tip fees	8,261	6,973	8,261	6,973
Registration fees	1,335	1,313	1,335	1,313
Search fees	2,166	1,067	2,166	1,067
Waste service charges	493	409	493	409
Change of ownership fees	1,198	869	1,198	869
Fines and penalties	1,820	2,498	1,820	2,498
Venue hire	972	959	972	959
Development services	9,978	9,262	9,978	9,262
Permits and licences	1,662	1,216	1,662	1,216
Other fees and charges	6,647	5,991	5,432	4,528
	66,449	54,737	65,233	53,274

Notes to the Financial Statements
For the year ended 30 June 2021

(c) Sales from contracts and recoverable works

Sale of goods revenue is recognised at the point in time that the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered.

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 based on costs incurred 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. The contract work carried out is not subject to retentions.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Recoverable works	1,258	1,429	1,258	1,429
Sale of recyclables	3,566	2,603	3,566	2,603
Solar Farm generation revenue	1,266	2,881	1,266	2,881
Other revenue	5,511	7,151	5,511	7,225
	11,601	14,065	11,601	14,138

(d) Share of tax equivalents of equity accounted investment

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
	17,054	16,409	17,054	16,409

(e) Dividend income equity accounted investment

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.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
	-		13,200	12,321

4 Grants, subsidies, contribution, donations and other

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations vary in each agreement but include library projects, trainee funding and events. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, revenue is recognised using either costs or time incurred.

Grant income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value, related liability (or equity items) are recorded and income then is recognised for any remaining asset value at the time that the asset is received.

Capital (non-recurrent) grants

Where Council receives funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised as construction progresses or when the purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

Notes to the Financial Statements
For the year ended 30 June 2021

Contributions and donations

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by Council.

Contributions and donations are generally recognised on receipt of the asset since there are no enforceable performance obligations.

Physical assets contributed to Council by developers in the form of land, transport, stormwater and other infrastructure are recognised as revenue when Council obtains control of the asset and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such 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 expenses.

(a) Recurrent grants, subsidies, contribution, donations and other

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Government grants and subsidies commonwealth	12,760	11,847	12,760	11,847
Government grants and subsidies state	3,705	2,087	3,705	2,087
Grants and subsidies other	-	1,406	-	1,406
Contributions and donations	2,216	1,372	179	273
	18,681	16,711	16,643	15,613

(b) Non-recurrent grants, subsidies, contribution, donations and other

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Government grants and subsidies commonwealth	7,174	4,837	7,174	4,837
**Government grants and subsidies state	31,817	5,636	31,817	5,636
Developer contributions	40,892	31,204	40,892	31,204
Infrastructure from developers at fair value	102,524	115,683	102,524	115,683
	182,407	157,361	182,407	157,361
Less: discount allowed developer contributions	(748)	(303)	(748)	(303)
	181,658	157,058	181,658	157,058

**In 2021 Council received \$12.5 million being the final payment of the \$15.0 million grant from the State of Queensland's Jobs and Regional Growth Fund for the Sunshine Coast International Broadband Network Project.

(c) Sales from contracts

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
**Sunshine Coast Airport Expansion Project	10,578	186	10,578	186
Maroochydore City Centre land sales	3,795	-	3,795	-
	14,373	186	14,373	186

The Sunshine Coast Airport runway was complete, ready for use and handed over to Palisade Investment Partners Ltd on 14 June 2020. Full practical completion occurred on 29 January 2021. Final payment of \$297 million (including \$7 million Airport Manager variations) is due on 30 June 2022. The associated contract receivable is recognised in Note 12.

** The net contract revenue of \$10.578 million (2020: \$0.186 million) consists of \$44.315 million (2020: \$104.914 million) discounted contract revenue less \$33.737 million (2020: \$104.728 million) construction costs.

**Notes to the Financial Statements
For the year ended 30 June 2021**

Timing of revenue analysis

Consolidated		2021		2020	
		\$'000	\$'000	\$'000	\$'000
		Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
Net Rates, levies and charges (excluding those related to services)	3(a)	319,052	-	311,897	-
Fees and charges (excluding infringements)	3(b)	64,629	-	52,152	-
Infringements	3(b)	1,820	-	2,585	-
Sales from contracts and recoverable works	3(c),4(c)	15,396	10,578	13,992	258
Grants, subsidies, donations and contributions	4 (a,b)	151,392	48,948	163,296	10,474 *
		552,288	59,526	543,922	10,732

Council		2021		2020	
		\$'000	\$'000	\$'000	\$'000
		Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
Net Rates, levies and charges (excluding those related to services)	3(a)	319,349	-	311,897	-
Fees and charges (excluding infringements)	3(b)	63,413	-	50,689	-
Infringements	3(b)	1,820	-	2,585	-
Sales from contracts and recoverable works	3(c),4(c)	15,396	10,578	14,066	258
Grants, subsidies, donations and contributions	4 (a,b)	149,354	48,948	162,197	10,474 *
		549,332	59,526	541,434	10,732

5 Interest received

Interest received from bank and term deposits is accrued over the term of the investment.

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest received from equity accounted investment	19,592	21,112	19,592	21,112
Interest received from cash and term deposits	2,431	4,807	2,403	4,741
Interest received from contract receivables *	2,090	123	2,090	123
Interest from overdue rates and utility charges	587	514	587	514
	24,700	26,556	24,672	26,490

* As per the Sunshine Coast Airport runway contract, interest is accrued until final payment June 2022.

6 Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

Note	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Total wages and salaries	130,184	133,588	128,193	131,795
**Councillors' remuneration	1,839	1,855	1,839	1,855
Annual, sick and long service leave entitlements	15,599	15,496	15,599	15,403
Superannuation	15,482	15,812	15,482	15,632
	163,103	166,751	161,112	164,684
Other employee related expenses	3,675	3,661	3,675	3,568
	166,778	170,412	164,787	168,252
Less: Capitalised employee expenses	(15,550)	(17,050)	(15,550)	(17,050)
Less: Employee expenses transferred to third parties	-	(6)	-	(6)
	151,229	153,356	149,238	151,197

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

Total Council full time equivalent employees at the reporting date:	Consolidated		Council	
	2021	2020	2021	2020
Elected Members	11	11	11	11
Staff	1,692	1,658	1,666	1,628 *
Total full time equivalent employees	1,703	1,669	1,677	1,639

**Notes to the Financial Statements
For the year ended 30 June 2021**

7 Materials and services

Expenses are recorded on an accrual basis as Council receives the goods or services.

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Advertising	1,563	1,493	1,563	1,493
**Audit of annual financial statements by the Auditor General of Queensland	253	256	250	250 *
Consultancy fees	5,004	7,497	5,004	7,497
Commissions paid	3,599	2,361	3,599	2,361
Contract services parks and gardens	16,961	16,381	16,961	16,381
Contract services waste collection	34,955	34,525	34,955	34,525
Contract services environmental operations	12,089	11,495	12,089	11,495
Contract services property management	7,400	7,037	7,400	7,037
Contract services sport and community venues	8,298	7,749	8,298	7,749
Contract services civil asset management	8,075	7,836	8,075	7,836
Contract services transport infrastructure management	2,751	1,679	2,751	1,679
Contract services art, heritage and libraries	2,570	2,907	2,570	2,907
Contract services other	17,974	18,128	17,819	18,012
Donations	5,616	4,415	5,616	4,415
Electricity	7,450	6,972	7,331	6,825
Entertainment and hospitality	268	399	268	399
Equipment < \$5,000	989	948	989	948
Fuel	2,053	2,701	2,053	2,701
Grants to community organisations	10,389	8,136	10,389	8,136
Insurance	2,583	2,538	2,583	2,538
Legal fees	3,044	2,784	3,044	2,784
Library resources	1,420	1,360	1,420	1,360
Materials road base	838	1,866	838	1,866
Operating leases - short-term and low value	4,183	4,577	4,183	4,577
Plant and equipment hire	6,129	5,988	6,129	5,988
Security services	1,632	1,393	1,632	1,393
Software and maintenance (Software as a Service (SaaS))	8,688	7,886	8,688	7,886
Telecommunications	3,395	3,773	3,395	3,736
Water and sewerage charges	5,153	5,120	5,153	5,120
All other materials and services	20,115	20,375	17,861	18,634 *
	205,435	200,575	202,904	198,526
Less: Internal costs transferred to third parties	(17)	(561)	(17)	(561)
	205,418	200,014	202,887	197,965

**Total consolidated audit fees quoted by the Queensland Audit Office relating to the 2020/21 financial statements are \$277,800 (2020: \$278,400).

8 (a) Finance costs

	Note	Consolidated		Council	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
**Borrowing costs charged by the Queensland Treasury Corporation		10,660	8,399	10,660	8,399
Bank charges and credit card fees		1,133	1,020	1,093	994
Interest on leases	19	185	228	185	228
Unwinding of discount on provisions and borrowings	22	292	356	292	356
Impairment of receivables		192	374	192	374
Other finance costs		114	173	114	173
		12,575	10,549	12,535	10,523

**Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset.

Capital borrowing costs include \$4.738 million capitalised against the Maroochyore City Centre project (2020: \$4.811 million) and \$0.127 million capitalised against the Brisbane Road Carpark development (2020: \$0.170 million).

Notes to the Financial Statements
For the year ended 30 June 2021

8 (b) Finance costs

Note	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Early repayment adjustment	34,346	-	34,346	-

During 2021 Council refinanced its existing loan portfolio and increased the principal amount which resulted in early repayment costs of \$34.346 million. The refinanced amount will result in lower interest rates and free up cash flow through lower repayments over the life of the loan portfolio.

9 Contributions to controlled entities

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Contributions to controlled entities	-	-	1,562	1,527

10 Non-recurrent expenses

Gain/(Loss) on disposal of non-current assets	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Proceeds from the sale of plant and equipment	396	176	396	176
Less carrying amount sold	(198)	(193)	(198)	(193)
Less carrying amount disposed and written-off	-	(29)	-	(29)
	198	(46)	198	(46)
Proceeds from the sale of property and land	1,439	1,746	1,439	1,746
Less carrying amount sold	(1,665)	(1,745)	(1,665)	(1,745)
Less carrying amount disposed and written-off	(104)	(9,124)	(104)	(9,124)
	(330)	(9,123)	(330)	(9,123)
Replacement of roads, stormwater and other infrastructure				
Less carrying amount:				
Replaced and renewed	(508)	(1,419)	(508)	(1,419)
Disposed and written-off	(211)	(4)	(211)	(4)
	(719)	(1,422)	(719)	(1,422)
Replacement of intangibles				
Less carrying amount:				
Disposed and written-off	-	(40)	-	(40)
	-	(40)	-	(40)
Loss on disposal of property, plant and equipment, and intangibles	(851)	(10,631)	(851)	(10,631)
**Assets transferred to third parties				
Employee expenses transferred to third parties	-	(6)	-	(6)
Internal costs transferred to third parties	(17)	(561)	(17)	(561)
	(17)	(567)	(17)	(567)

**Included in 2021 is \$0.017 million (2020: \$0.567 million) related to work performed on public utility provider assets.

Notes to the Financial Statements
For the year ended 30 June 2021

11 Cash and cash equivalents

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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance as per Statement of Financial Position	208,320	199,675	206,199	197,632

Council may be exposed to credit risk through its investments in the QTC Cash Fund. 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.

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.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and cash equivalents	208,320	199,675	206,199	197,632
Externally imposed expenditure restrictions	(84,395)	(101,971)	(84,395)	(101,971) *
Unrestricted cash	123,925	97,704	121,804	95,661

* The 2020 mix between external restrictions and internal allocations has been restated due to a reclassification of developer contributions from externally imposed restrictions to internally imposed allocations decreasing the external restrictions by \$58.002 million.

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

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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Constrained works	55,508	74,500	55,508	74,500 *
General	3,441	4,029	3,441	4,029 *
Levy funded	24,485	22,532	24,485	22,532
Special purpose	961	911	961	911
Total externally imposed restrictions on cash assets	84,395	101,971	84,395	101,971 *

(ii) Internally imposed expenditure allocations at the reporting date:

Constrained works	68,817	56,817	68,817	56,817 *
General	21,109	11,171	21,109	11,171 *
Total internally allocated cash	89,926	67,988	89,926	67,988 *

Internal allocations of cash may be lifted by Council with a resolution.

12 Trade and other receivables

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

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.

The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.

In some limited circumstances Council may write off impaired statutory charges. On this basis, Council calculates an expected credit loss (ECL) for Statutory Charges (non-rates & utility charges). Although not material, disclosure is being made for the purposes of public interest and transparency.

Notes to the Financial Statements
For the year ended 30 June 2021

As a result of COVID-19, Council has introduced various measures to support the community over this time. These include extending payment terms in certain situations and suspending interest on overdue accounts. These were designed to be short term measures to enable customers to get through a difficult period.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Rates and utility charges	5,204	5,982	5,204	5,982
Infringements	2,214	2,114	2,214	2,114
Infrastructure charges	3,958	3,923	3,958	3,923
Trade debtors	36,484	6,401	36,395	5,842
Loans receivable	696	-	696	-
Contract Receivables	296,772	-	296,772	-
Other debtors	7	7	7	7
Less allowance for impairment	(607)	(648)	(607)	(648)
	344,729	17,779	344,640	17,220

Interest is charged on outstanding rates at 8.53% 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 trade debtors includes an amount of \$17.06 million which is due for payment on 30 June 2022 as per the SCA (Sunshine Coast Airport) Share Sale and Purchase Agreement.

The contract receivable relates to the Sunshine Coast Airport Expansion Project with payment due June 2022.

Loans receivable includes finance provided by Council to independent third parties in order to undertake development activities.

Non-Current

Trade debtors	-	17,060	-	17,060
Contract Receivables	-	248,226	-	248,226
Loans receivable	-	4,176	-	4,176
Loan to associate - subordinated debt	14	434,393	434,393	434,393
Shares in controlled entities	-	-	500	500
	434,393	703,855	434,893	704,355

The subordinated interest only loan terminates on 30 June 2033 with the interest rate to be set by QTC annually. Applicable interest rate for 2021 was 4.51% (2020: 4.86%).

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July	648	540	648	540
Impairment debts written off during the year	(232)	(264)	(232)	(264)
Additional impairments recognised	191	373	191	373
Closing balance at 30 June	607	648	607	648

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 except for land where the costs are allocated to the relevant parcel.

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 Statements of Comprehensive Income on settlement.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Equipment, stores and quarries *	1,633	1,259	1,600	1,231
Land being developed for resale **				
Finished Goods	10,864	12,619	10,864	12,619
Closing current inventories at 30 June	12,497	13,878	12,464	13,850

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

Notes to the Financial Statements
For the year ended 30 June 2021

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Non-current</u>				
Land held for future development and resale **				
Work in Progress	36,568	38,636	36,568	38,636 *
Closing non-current inventories at 30 June	36,568	38,636	36,568	38,636

** On 18 November 2020, Council entered into a development agreement with Walker Maroochydore Pty Ltd (Walker) and SunCentral Maroochydore Pty Ltd. Under the development agreement, Walker has exclusive rights to market and develop most of the remaining Council owned land in the Maroochydore City Centre Priority Development Area, consistent with the delivery of the city centre vision in the Maroochydore City Centre Priority Development Area Development Scheme 2019. Council will continue in its current role as the landowner and will retain ownership of the land and buildings until disposed. Walker Corporation is responsible for funding the delivery of the majority of future civil works, commercial and retail buildings, residential apartments and the majority of the remaining infrastructure on the site, including roads and parks.

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 will non-current land inventory be reclassified as current land inventory. Annual Review in consultation with Walker and SunCentral will be conducted to confirm future development plans and land scheduled for development and resale.

The agreement has changed the method of development from a "Land Delivery Model" to a "Development Partner Model". This means that both the land and built form will be developed simultaneously, instead of developing and selling vacant land on a lot by lot basis. It is intended that the development will be completed in stages. Current land inventory is either the subject of a binding agreement with another party or forms part of the exclusive development agreement with Walker Maroochydore Pty Ltd. One land parcel was sold during 2020/21 financial year. Non-current land inventory is being held for future development. Land planned for both resale and development 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.

Notes to the Financial Statements
For the year ended 30 June 2021

14 Equity accounted investment

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. 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 Statements of Comprehensive Income and the interest in the equity of the associates is recognised in the Statements 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% (2020: 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 2021 is 4.51% (2020: 4.86%).

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.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Movement in carrying amount				
Investment	802,139	760,673	538,213	538,213
Share of profits after tax and before dividends	51,981	53,787	-	-
Dividends received/receivable	(13,200)	(12,321)	-	-
Carrying amount at the end of the financial year	840,920	802,139	538,213	538,213

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

Notes to the Financial Statements
For the year ended 30 June 2021

Summary financial information for the Authority, not adjusted for the percentage ownership held by Council, as reflected in their 30 June 2021 financial statements is detailed below.

Extract from the Authority's Statement of Comprehensive Income	2021	2020
	\$'000	\$'000
Total revenues	723,830	730,046
Ordinary expenses	(525,914)	(525,320)
Profit before income tax equivalent	197,916	204,726
Income tax equivalent expense	(59,338)	(61,332)
Total profit (after tax)	138,578	143,394
Share of Profit of equity accounted investment	51,981	53,787
Total assets	4,193,352	4,052,307
Total liabilities	(1,932,989)	(1,896,095)
Net assets	2,260,363	2,156,212

Unitywater use historical cost for reporting their assets value. Council uses fair value.

To ensure consistency of financial reporting, Unitywater has provided Council with an audited assessment of the fair value of its assets delivering assurance that the current carrying amount of the assets is reflective of their fair value.

15 Other assets

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Prepayments	4,507	4,108	4,481	4,074
GST recoverable	2,338	4,108	2,338	4,108
Accrued revenue	20,099	14,601	20,099	14,600
	26,944	22,817	26,917	22,782

**Notes to the Financial Statements
For the year ended 30 June 2021**

16 (a) Property, plant and equipment

Council	Note	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Transportation Network \$'000	Stormwater Network \$'000	Other Infrastructure \$'000	Capital Works in Progress \$'000	Total \$'000
For the year ended 30 June 2021									
	Gross value / cost	650,941	345,650	57,427	2,610,180	1,369,231	616,887	490,441	6,140,757
	Less accumulated depreciation	-	(132,418)	(33,169)	(731,522)	(279,654)	(202,611)	-	(1,379,374)
	Book value as at 30 June	650,941	213,232	24,258	1,878,658	1,089,577	414,276	490,441	4,761,383
For the year ended 30 June 2020									
	Gross value / cost	592,485	337,138	55,966	2,504,536	1,306,107	592,068	444,673	5,832,975
	Less accumulated depreciation	-	(124,391)	(30,958)	(683,074)	(266,891)	(185,443)	-	(1,290,757)
	Book value as at 30 June	592,485	212,747	25,009	1,821,462	1,039,216	406,625	444,673	4,542,219

Basis of measurement	Land Fair Value \$'000	Buildings Fair Value \$'000	Plant and Equipment Cost \$'000	Transportation Network Fair Value \$'000	Stormwater Network Fair Value \$'000	Other Infrastructure Fair Value \$'000	Capital Works in Progress Cost \$'000	2021 Total \$'000	Restated 2020 Total \$'000
Opening net value as at 1 July	592,485	212,747	25,009	1,821,462	1,039,216	406,625	444,673	4,542,219	4,326,583
Adjustment to opening balance	-	-	-	-	-	-	-	-	19,110
Reclassification from/(to) operating expense	-	-	-	-	-	-	-	-	82
Plus capital expenses	-	-	-	-	-	-	210,366	210,366	204,657
Transfers from capital works in progress	12,029	8,893	2,750	73,588	47,840	19,472	(184,572)	-	-
Plus contributed assets	48,066	400	-	33,155	15,310	5,593	-	102,524	97,617
Less disposals	(1,639)	(129)	(198)	(622)	(16)	(82)	-	(2,686)	(12,513)
Less depreciation expense	-	(8,600)	(3,337)	(48,943)	(12,773)	(17,361)	-	(91,019)	(89,038)
Revaluation adjustments to asset revaluation surplus	-	-	-	-	-	-	-	-	(4,368)
Transfer (to)/from intangibles	-	-	-	-	-	-	(26)	(26)	90
Transfer between classes	-	(80)	34	18	-	-	-	(0)	-
Book value as at 30 June	650,941	213,232	24,258	1,878,658	1,089,577	414,275	490,441	4,761,383	4,542,219
Range of estimated useful lives in years	unlimited	2-100	2-60	5-unlimited	5-135	5-unlimited			

Notes to Financial Statements
For the Year Ended 30 June 2021

16 Property, Plant and Equipment

(b) Recognition

Purchases of property, plant and equipment are recognised as assets unless the items are below the asset recognition threshold of the asset class in which they belong, or the expenditure relates to maintenance.

Replacement and purchases of separately identifiable components of an asset to renew or increase its service potential, or extend its useful life, are capitalised and recognised as an individual asset. Routine operating maintenance, repairs and minor renewals costs to maintain the operational capacity and useful life of the assets are 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. 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 Queensland State Government and not recognised in these financial statements.

(c) Measurement

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of consideration plus costs directly related to the acquisition and incurred in preparing the asset for use as intended by Council. 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(a).

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 revenue at fair value by Council valuation where the value exceeds the recognition thresholds.

(d) Depreciation

Assets are depreciated from the date of acquisition or when an asset is ready for use by Council.

Land, work in progress, and formation/earthworks associated with roads, constructed waterbodies, and stormwater basins are not depreciated.

Depreciation, where applicable, is calculated on a straight-line basis as to write-off the net cost or revalued amount, less its estimated residual value if appropriate, progressively over the asset's estimated useful life to Council. Management believe that the straight line basis appropriately reflects the even consumption of service potential of all Council assets.

Where assets have separately identifiable components that are subject to renewal, these components have separately assigned useful lives. 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 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 obsolescence, technical or commercial obsolescence, or management intentions. Condition assessments are performed as part of standard asset management practices as well as annual revaluation processes which are used to estimate the useful and remaining lives of assessed assets. Details of the range of estimated useful lives for each class of asset are shown in Note 16(a).

Notes to Financial Statements
For the Year Ended 30 June 2021

(e) Impairment

Property, plant and equipment held at cost is assessed annually for indicators of impairment. 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.

(f) Valuation and Fair Value Measurement

Land, buildings, transportation, stormwater and other infrastructure asset classes 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.

Council considers the carrying amount of its property plant and equipment on an annual basis compared to fair value and makes adjustment where these materially differ. Council performs full comprehensive revaluations by engaging external professionally qualified valuation firms, or other consultants. The asset classes are comprehensively revalued on a rolling basis every three to five years or when material movement in a class has been identified.

In the interim years to a comprehensive valuation, Council engages suitably qualified external consultants to provide cost movement indices relevant for the region and specific asset types, as well as internal engineers and asset managers assess conditions and check cost assumptions to ensure they are still valid. For the land and buildings, management engages external 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.

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. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income. Where the class of asset has previously decreased in value and this reduction was recognised as an expense, an increase in the value of the class is recognised in the statement of comprehensive income.

On revaluation, accumulated depreciation is restated proportionately with the change in carrying amount of the asset and any change in the estimated remaining useful life.

Current replacement cost is measured by reference to the lowest cost at which the gross future economic benefits of the asset could be obtained in the normal operations of Council. Where existing assets were over designed, had excess capacity, or were redundant, an adjustment has been made so that the resulting valuation reflects the cost of replacing the existing function based on efficient modern equivalent assets to achieve the required level of service output within Council's planning horizon.

In accordance with AASB 13 *Fair Value Measurement*, fair value measurements are categorised into three levels as follows:

- Level 1** – fair value is based on quoted prices (unadjusted) in active markets for identical assets
- Level 2** – fair value is estimated using inputs that are directly or indirectly observable for the asset, such as prices for similar assets
- Level 3** – fair value is estimated using unobservable inputs for the asset

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period. Fair values of all of Council's assets are calculated and valued based on their "highest and best use".

The table below represents Council's assets measured and recognised at fair value at 30 June 2021. 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Land	104,773	102,277	546,167	490,209	650,941	592,485
Buildings	4,793	2,760	208,439	209,989	213,232	212,747
Transportation	-	-	1,878,658	1,821,462	1,878,658	1,821,462
Stormwater	-	-	1,089,577	1,039,216	1,089,577	1,039,216
Other Infrastructure	-	-	414,276	406,625	414,276	406,625
	109,566	105,037	4,137,117	3,967,501	4,246,683	4,072,535

Notes to Financial Statements
For the Year Ended 30 June 2021

Council holds assets from the land and buildings financial classes at level 2 and those assets identified at this level are non-specialised in nature and exist within an active market and could be made available for sale. All other assets are considered to be level 3 as there is no active market for sale and key assumptions and inputs into the values derived are not openly visible as the assets are specialised to predominantly government owners.

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.

Land fair values were determined by independent valuation firm Australis Asset Advisory Group Pty Ltd, effective 30 June 2021.

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

The fair value of buildings were determined by Australis Asset Advisory Group Pty Ltd, effective 30 June 2021. The fair value of buildings is either measured using the market approach where there are level 2 inputs available or, in the absence of an active market, the cost approach where predominantly level 3 unobservable inputs are utilised. As many Council buildings are specialised and unique in characteristics, the most significant inputs into the valuation approach were the cost of reproduction for modern equivalent assets.

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. Condition was assessed as part of the comprehensive valuation, which took into account both physical and holistic factors such as functionality, capability, utilisation and obsolescence. Building assets are valued, and useful lives applied, at component level in accordance with International Infrastructure Management Manual (IIMM) standards and renewal cycles.

Plant and Equipment

Plant and equipment assets are reported at historical cost for the year ended 30 June 2021.

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, which demonstrates the physical obsolescence of the asset. 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(a).

Notes to Financial Statements
For the Year Ended 30 June 2021

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 and elects whether or not to apply these indices.

Transportation Network

Council engaged consulting firm Cardno (Qld) Pty Ltd, which last comprehensively revalued and developed unit rates for the transportation asset class as at 30 June 2019. For 2021, Cardno conducted a cost movement analysis which provided that the overall transportation network assets moved between -0.59% and -0.09% during the current period. Various data sources were assessed including current market rates of key materials and labour, and the implicit price deflator and price indices produced by the Australian Bureau of Statistics (ABS). Additionally, Council's engineering staff assessed the cost movements provided to ensure consistency. Where current condition is available, this information has been applied as an indicator of physical obsolescence to inform the fair value of the assets. In the absence of condition, age based assumptions are used. Management has elected not to apply indices to this financial class for the 2020/21 financial year.

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 patterns of consumption 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 earthworks.

Condition assessments of bridges are undertaken cyclically which includes a visual inspection to determine condition. Where changes to condition are recorded, in accordance with International Infrastructure Management Manual (IIMM) standards, these are used as a basis for assessment of fair value, remaining service potential and remaining useful life. Where updated condition information is available, this has been taken into account for the fair value assessment as at 30 June 2021. Bridge assets are held at structural component levels, and depreciated accordingly over the componentised useful lives.

The fair value of all transportation assets was reported at 30 June 2021 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*.

Stormwater Network

Council engaged consulting firm Cardno (Qld) Pty Ltd, who last comprehensively revalued and developed unit rates for the stormwater network as at the year ended 30 June 2018. For 2021, Cardno conducted a cost movement analysis which concluded that only the stormwater pits moved by 1.0% and pipes moved by 0.5% across the stormwater network during the current period. Various data sources were assessed including the implicit price deflator and price indices produced by the Australian Bureau of Statistics (ABS). Additionally, Cardno's stormwater engineer assessed the cost movements on the material items within the stormwater asset class for the current period which were consistent with the published indices. Management has elected not to apply indices to this financial class for the 2020/21 financial year.

The fair value of stormwater assets was reported at 30 June 2021 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*.

Other Infrastructure

The fair values of Other Infrastructure assets last comprehensively revalued by GHD Pty Ltd as at 30 June 2015. For 2021, Australis Asset Advisory Group Pty Ltd conducted detailed cost movement analysis for the varying assets across the financial class and determined that open space infrastructure moved by 1.2% and other infrastructure assets moved by 0.3%. Management has elected not to apply indices to this financial class for the 2020/21 financial year.

Other assets, such as electrical assets including the solar farm, marine infrastructure and landfill assets 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.

Notes to Financial Statements
For the Year Ended 30 June 2021

Open space assets, such as parks and supporting infrastructure, 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. Where the condition of an asset is known, the information was used to inform the remaining service potential of the asset.

The fair value of waste landfill cells was calculated by reference to cell area and volume specifications, estimated labour and material inputs, services costs, and overhead allocations. The remaining service potential for landfill cells has been determined by the reassessment of remaining volume of landfill cells and site closure predictions. Landfill airspace is assessed bi-annually.

COVID-19 has had no impact on the fair value assessment for 2020/21.

**Notes to Financial Statements
For the Year Ended 30 June 2021**

16 (g) Fair values derived from valuation

Asset class and fair value hierarchy	Valuation approach	Comprehensive valuation date	Valuer engaged	Key assumptions and estimates as at the comprehensive revaluation date	Index applied	Interim valuation adjustment
Land (Level 2)	Market value	30 June 2020	Australis Asset Advisory Group Pty Ltd	Current zoning and sale prices per square metre (database of recent sales) of comparable properties, adjusted for Nil differences in key attributes such as land size	Nil	Cost movement analysis Index changes in regional market evidence and constructions costs.
Land (Level 3)	Current replacement cost	30 June 2020	Australis Asset Advisory Group Pty Ltd	Sunshine Coast Planning Scheme 2014, current zoning, use or significant restriction, case law, sales analysis, and professional opinion Sales price per square metre (database of recent sales) adjusted for restrictions and key attributes such as land size	Nil	published indices and cost movements as assessed by the valuer and reviewed by asset managers
Buildings (Level 2)	Market value	30 June 2020	Australis Asset Advisory Group Pty Ltd	Sale prices per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as condition and gross building area	Nil	Cost movement analysis Index changes in regional market evidence and constructions costs.
Buildings (Level 3)	Current replacement cost	30 June 2020	Australis Asset Advisory Group Pty Ltd	Gross replacement cost. Unit rates per square metre for construction derived from industry standard cost guides, project costs from recently completed buildings and other data available Accumulated depreciation. Useful life estimates based on construction standards, engineering advice Remaining useful lives based on planned demolition and renewals, condition assessments, completed valuations and age	Nil	published indices and cost movements as assessed by the valuer and reviewed by asset managers
Plant and Equipment (Level 3)	Historical cost	n/a	n/a	Original cost less accumulated depreciation Condition and remaining useful life review conducted on recurrent basis	n/a	n/a
Transportation Network (Level 3)	Current replacement cost	30 June 2019	Cardno (Old) Pty Ltd	Gross replacement cost Unit rates for construction derived from Council supplier arrangement contract rates for materials and services, internal labour rates, recently completed projects and other data available Accumulated depreciation. Useful life estimates based on construction standards, engineering advice, average lives of disposed assets, road use volumes and lives applied by neighbouring Councils Remaining useful lives based on age, conditions assessments, planned renewals and physical obsolescence	Nil	Cost movement analysis Index changes in market rates of materials, labour, and the ABS implicit price deflator and price indices as assessed by valuer Review of condition assessments
Stormwater Network (Level 3)	Current replacement cost	30 June 2018	Cardno (Old) Pty Ltd	Gross replacement cost Unit rates for construction per linear, square metre or per item derived from Council supplier arrangement contract rates for materials and services, internal labour rates, recently completed projects and other available data along with development, depth and soil factors Accumulated depreciation. Useful life estimates based on construction standards, engineering advice, soil factors and lives applied by neighbouring councils Remaining useful lives based on age, condition assessments, relining program and physical obsolescence	Nil	Cost movement analysis Index changes in market rates of materials, labour, and the ABS implicit price deflator and price indices as assessed by valuer
Other Infrastructure (Level 3)	Current replacement cost	30 June 2015	GHD Pty Ltd Australis Asset Advisory Group Pty Ltd	Gross replacement cost Unit rates per item, linear metre for construction derived from industry standard cost guides, costs from recently completed projects, manufacturers' supply costs and other available data Accumulated depreciation. Useful life estimates based on manufacturer and construction standards, engineering advice, average lives of disposed assets, lives applied by neighbouring councils Remaining useful lives based on age, park and precinct hierarchy factors, condition assessments, planned renewals, physical obsolescence and remaining air space	Nil	Cost movement analysis Index changes in construction costs as assessed by valuer

Notes to the Financial Statements
For the year ended 30 June 2021

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	Capital Works in Progress	2021 Total	2020 Total
		\$'000	\$'000	\$'000	\$'000
Opening net value as at 1 July		9,785	2,099	11,883	14,177
Adjustment to opening balance		-	-	-	(891)
Plus capital expenses		-	1,651	1,651	1,684
Transfers from capital works in progress		1,175	(1,175)	-	-
Less disposals		-	-	-	(40)
Less amortisation provided in period		(2,653)	-	(2,653)	(2,957)
Transfer (to)/from property, plant and equipment	16(a)	-	26	26	(90)
Book value as at 30 June		8,307	2,601	10,908	11,883
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 were generally settled on 7 day terms in 2021 as part of Council's COVID-19 response to the community.

Accrued employee benefits comprise annual leave, leave in lieu and accrued salaries and wages. Annual leave and leave in lieu represents the amount which Council has a present obligation to pay resulting from employees' services provided up to the reporting date. The accrual is based on the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

There has been some delay in employees taking annual leave during COVID-19 restrictions which has resulted in an increase in the annual leave balance. Council does not expect this to have a material impact.

As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Current</u>				
Creditors and accruals	37,112	48,422	36,826	47,648
Accrued annual leave	16,858	14,512	16,718	14,301
Other employee entitlements	778	1,116	722	1,027
	54,748	64,050	54,266	62,976

19 Leases

Council as a lessee

Council has leases in place over buildings, vehicles and equipment. Council has applied the exception to lease accounting for leases of low-value assets and short-term leases.

Where Council assesses that an agreement contains a lease, a right-of-use asset and lease liability is recognised on inception of the lease. Council separates non-lease components for buildings.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Notes to the Financial Statements
For the year ended 30 June 2021

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured where there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right-of-use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Terms and conditions of leases

Buildings

Council has the following leases:

Two office buildings due to expire in 2022 along with two long term leases from the Department of Natural Resources for Sunshine Coast Holiday Parks.

Vehicles

Council leases vehicles and trucks which are used for operational purposes, they generally have a lease term of between 3 and 8 years. The lease payments are generally fixed for the term of the lease.

Equipment

Council leases a number of items of equipment, a number of the assets are considered low value and are therefore not subject to lease accounting.

Right-of-use assets

	Vehicles	Buildings	Equipment	Total
Consolidated and Council	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July	7,892	2,103	92	10,087
Additions to right-of-use assets	2,092	0	-	2,092
Adjustments to right-of-use assets due to re-measurement of lease liability	(4)	(32)	(10)	(46)
Amortisation	(3,387)	(954)	(82)	(4,422)
Closing balance at 30 June	6,594	1,118	-	7,711

Consolidated and Council

	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000
Adoption of AASB 16 at 1 July	9,144	2,937	129	12,210
Additions to right-of-use assets	2,359	98	10	2,466
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	24	24
Amortisation	(3,611)	(931)	(71)	(4,613)
Closing balance at 30 June	7,892	2,103	92	10,087

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cash flows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

Notes to the Financial Statements
For the year ended 30 June 2021

Consolidated and Council	< 1 year	1-5 years	> 5 years	Total	Total per statement of financial position
	\$'000	\$'000	\$'000	\$'000	\$'000
2021	3,370	4,823	57	8,250	8,004
2020	4,499	6,023	295	10,817	10,482

Liabilities not recognised - extension options

For building leases, Council includes extension options which can be exercised at Council's discretion. At each reporting date Council assesses whether it is reasonably certain that the extension options will be exercised based on current operations and Council strategy.

Amounts included in the statement of comprehensive income related to leases

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee.

Consolidated and Council	2021	2020
	\$'000	\$'000
Interest on lease liabilities	185	228
Amortisation of right-of-use assets	4,490	4,613
Expenses relating to short-term and low value leases	4,183	4,576 *
	8,857	9,417
Total cash outflows for leases	8,772	9,467

Leases at significantly below market value - Concessionary / peppercorn leases

Council has a number of leases at significantly below market value for land and buildings which are used for community halls and sporting grounds.

The leases are generally between 2 and 50 years and require payments between \$1 and \$10,000 per annum. The use of the right-of-use asset is restricted by the lessors to specified community services which Council must provide. These services are detailed in the leases.

Council does not believe that any of the leases in place are individually material.

Council as a lessor

Operating leases

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

Rent from investment and other property is recognised as income on a periodic straight line basis over the lease term.

	Council	
	2021	2020
	\$'000	\$'000
Rental income (excluding variable lease payments not dependent on an index or rate) **	3,155	2,798
Direct operating expenses from property that generated rental income	(3,635)	(3,498) *

** Rental income includes "additional rent" of \$0.655 million (2020: \$0.884 million) related to the Sunshine Coast Airport. Further details are in Note 25.

Notes to the Financial Statements
For the year ended 30 June 2021

The minimum lease receipts arising from operating leases are as follows:

	Council	
	2021	2020
	\$'000	\$'000
Not later than one year	2,002	2,578
One to five years	4,104	4,293
Later than five years	5,541	5,699
	11,647	12,570

20 Contract liabilities

	Council	
	2021	2020
	\$'000	\$'000
Development Assessment Fees paid in advance	2,305	2,370
Deposits received in advance for performance obligations in grants	4,432	4,158
Deposits received in advance of services provided (e.g. caravan park fees, events)	3,514	4,729
	10,251	11,257

All Council's contract liabilities are current liabilities

Revenue recognised that was included in the contract liability balance at the beginning of the year

	Council	Council
	2021	2020
	\$'000	\$'000
Deposits received in advance of services provided (e.g. caravan park fees, events, performance obligations in grants)	5,865	5,130

21 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. For loans from Queensland Treasury Corporation (QTC), apart from borrowings for the Sunshine Coast Airport Expansion Project (SCAEP), principal and interest repayments are made semi annually in arrears with interest being expensed as it accrues. For other loans, principal and interest (if applicable) payments are made as per the relevant loan agreements.

For SCAEP borrowings from QTC, full repayment is due on or before 1 July 2023. Borrowings will be repaid on receipt of the New Runway Construction Payment of \$297 million due from Palisade Investment Partners Limited on 30 June 2022.

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Loans Queensland Treasury Corporation (QTC)	20,834	30,476	20,834	30,476
Loans other	840	840	840	840
	21,674	31,316	21,674	31,316
Non-Current				
Loans Queensland Treasury Corporation (QTC)	650,380	512,240	650,380	512,240
Loans other	6,910	7,495	6,910	7,495
	657,290	519,735	657,290	519,735

Notes to the Financial Statements
For the year ended 30 June 2021

The market value of QTC borrowings represents the value of the debt if Council repaid the debt as at 30 June 2021. 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 1.797% (2020 3.002%).

Balance at the end of the year (Market Value)	680,360	591,728	680,360	591,728
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Loans Other

In June 2017, Council received a \$12.6 million interest free loan 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 loan is unsecured and is repayable over time with full repayment to be made on by June 2032.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland State Government. There have been no defaults or breaches of the loan agreement during the 2021 or 2020 years.

22 Provisions

Liabilities are recognised for employee benefits such as annual and long service leave in respect of services provided by the employees up to the reporting date.

Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

(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 liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in 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 provision is discounted using the Commonwealth Bond yield rates as at the calculation date with a term matching as closely as possible to the term of the long service leave liabilities.

(ii) Landfill and quarry rehabilitation

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

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.

(iii) Land resumption

During detailed design, and with the advent of more accurate LIDAR laser survey technology, it has been identified that trees located in private properties beyond the north-western runway end penetrated the Obstacle Limitation Surface Approach Surface. To ensure safe operation of the new runway, it was determined that these trees required trimming prior to opening of the runway and then periodically into the future as the trees grew. To ensure access to undertake this activity, Council determined to acquire the properties on which the trees were located. Acquisition was accomplished by agreement with the property owners and transfer of title was published in the Government Gazette on 24 May 2019. The outstanding compensation amounts are yet to be determined.

Notes to the Financial Statements
For the year ended 30 June 2021

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Current</u>				
Long service leave	22,871	22,314	22,687	22,140
Landfill and quarry rehabilitation	3,429	4,457	3,429	4,457
Per- and poly-fluoroalkyl substances (PFAS) mitigation	-	3,320	-	3,320
	26,300	30,092	26,116	29,917
<u>Non-current</u>				
Long service leave	4,213	3,613	4,044	3,463
Landfill and quarry rehabilitation	47,863	43,785	47,863	43,785
Land resumption	3,320	3,320	3,320	3,320
	55,396	50,717	55,227	50,567

Movements in non-employee benefit provisions:

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Landfill and Quarry rehabilitation					
Balance at beginning of financial year		48,241	43,260	48,241	43,260
Increase/(decrease) in provision due to effect of interest rate movement		(4,243)	3,463	(4,243)	3,463
Increase/(decrease) in provision due to unwinding of discount	8	38	84	38	84
Increase/(decrease) in provision due to change in estimate		9,108	3,340	9,108	3,340
Increase/(decrease) in provision as a result of actual expenditure incurred during the year		(1,852)	(1,905)	(1,852)	(1,905)
Balance at end of financial year		51,292	48,241	51,292	48,241

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 2020/21 an increase in the provision for the landfill and quarry rehabilitation of \$3.051 million (2020 \$4.981 million) was recognised largely due to an increase in interest rates from 0.87% to 1.49%, updated timing of expected expenditure for landfill sites, and an increase in the estimate for the Quarry.

Landfill site	Post closure monitoring cost completion
Buderim	2034
Coolum	2040
Pierce Avenue	2061
Nambour Landfill	2072

At 30 June 2021 the net present value of the projected costs over the next 30 years has been assessed as \$36.994 million for landfill (2020: \$37.966 million) and \$2.6 million for the quarry rehabilitation.

Capital Market Yields - Government 10 year bond rate for 2021 was 1.49% (2020: 0.87%).

23 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Current</u>				
Unearned revenue	1,823	1,035	1,767	1,005
Prepaid rates	11,461	10,119	11,461	10,119
	13,284	11,154	13,228	11,124

Notes to the Financial Statements
For the year ended 30 June 2021

24 Commitments for expenditure

Contractual commitments

Contractual commitments at balance date but not recognised in the financial statements are as follows:

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Within one year	73,675	56,395	73,293	56,395
One to five years	45,101	110,970	45,101	110,970
Greater than five years	15,256	20,472	15,256	20,472
	134,032	187,838	133,650	187,838

Capital commitments

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

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Aerodromes	31	-	31	-
Buildings and Facilities	2,729	5,544	2,729	5,544
Coast and Canals	184	594	184	594
Corporate Major Projects	48,101	13,687	48,101	13,687
Minor Works Program	669	700	669	700
Environmental Assets	506	279	506	279
Fleet	123	1,256	123	1,256
Holiday Parks	73	575	73	575
Information Technology	748	710	748	710
Parks, Gardens and Reserves	5,837	4,378	5,837	4,378
Quarries	19	131	19	131
Stormwater	2,624	1,096	2,624	1,096
Strategic Land and Planning	270	1,981	270	1,981
Sunshine Coast Airport Expansion Project	856	26,464	856	26,464
Transportation	55,714	24,057	55,714	24,057
Waste	1,707	4,717	1,707	4,717
These expenditures are payable within one year	120,191	86,171	120,191	86,171

Notes to the Financial Statements
For the year ended 30 June 2021

25 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, which commenced on 1 December 2017, Council is 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 2021.

Council received \$0.655 million (2020: \$0.884 million) from the Sunshine Coast Airport, being \$0.006 million higher than original forecast. Future revenue payments of \$1.181 million are included in Council's 2021/22 Adopted Original Budget. The future payments may exceed or be less than these estimates, depending on future airport activities and the impacts of COVID-19 on the airline industry.

Contingent liabilities

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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 30 June 2021 there are 60 insurance claims under management with Council's public liability insurer, LGM (2020: 45). The amount required assuming the claims proceed to settlement is:	536	432	536	432
At 30 June 2021 there are 14 compulsory land acquisition claims (2020: 24) pending and are not expected to exceed:	11,425	13,644	11,425	13,644
At 30 June 2021, the 3 standard commercial warranties valid in the prior year have now expired.	-	98,000	-	98,000
At 30 June 2021 Council may be required by the Department of Environment and Science (DES), to treat water on the Sunshine Coast Airport site that has been contaminated with per- and poly-fluoroalkyl substances (PFAS). The amount required in the event of a legal requirement is:	20,000	20,000	20,000	20,000
Total Contingent liabilities	31,961	132,076	31,961	132,076

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 they are still in progress.

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 \$3,147,709 (2020: \$2,877,529). The latest audited financial statements for Local Government Workcare are as at 30 June 2020 and show accumulated member funds (equity) of \$42.163 million.

Notes to the Financial Statements
For the year ended 30 June 2021

Local Government Mutual

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.

The latest audited financial statements for LGM Queensland are as at 30 June 2020 and show accumulated member funds (equity) of \$74.664 million, and it is not anticipated any liability will arise.

26 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 pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

Any amount by which the scheme is over or under funded may affect future contribution rate obligations, 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 as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, 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 measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. 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.

The next triennial actuarial review is due 1 July 2021.

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.

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

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		1,490	1,393	1,490	1,393
Other superannuation contributions for employees		13,991	14,418	13,991	14,239
Total superannuation contributions paid by Council for employees:	6	15,482	15,812	15,482	15,632

Notes to the Financial Statements
For the year ended 30 June 2021

27 Controlled entities

Council has 100% controlling interests in Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd.

The Sunshine Coast 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 providing development management services for the Maroochydore City Centre project.

The following table shows revenue and expenses before consolidating eliminations.

Controlled entity	SunCentral Maroochydore Pty Ltd		Sunshine Coast Events Centre Pty Ltd	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue	5,491	13,032	3,111	3,231
Expense	(5,473)	(12,988)	(3,004)	(3,263)
Surplus/deficit	18	44	107	(32)

Controlled entities that have not been consolidated

Council has 100% controlling interest in Sunshine Coast Arts Foundation Ltd, however because of its size and nature it is not material to Council's operations and has not been consolidated into Council's accounts.

The principal objects of the foundation are for the public charitable purposes of promoting and advancing arts, craft, design, visual arts, movable cultural heritage, Aboriginal arts, and community arts. Council has no control over the assets. The net profit for the foundation in 2021 was \$0.024 million (2020: \$0.057 million)

28 Trust funds

Consolidated		Council	
2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
12,720	7,510	11,642	7,305

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties.

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.

Notes to the Financial Statements
For the year ended 30 June 2021

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

	Note	Consolidated		Council	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Net result		203,241	177,766	164,335	136,308 *
Non-cash items					
Depreciation and amortisation	16,17	98,181	96,630	98,156	96,571
Share of net profit of equity accounted investment		(38,781)	(41,466)	-	-
Unwinding of discount on below market borrowings		254	-	254	-
Infrastructure from developers at fair value		(102,524)	(115,683)	(102,524)	(115,683)
		<u>(42,870)</u>	<u>(60,519)</u>	<u>(4,114)</u>	<u>(19,112)</u>
Investing activities					
Net loss on disposal of property, plant and equipment		851	10,631	851	10,631
Non-recurrent sale from contracts		(14,373)	(186)	(14,373)	(186)
Non-recurrent grants and contributions		(79,134)	(41,375)	(79,134)	(41,375)
Early repayment adjustment	8	34,346	-	34,346	-
		<u>(58,311)</u>	<u>(30,930)</u>	<u>(58,311)</u>	<u>(30,930)</u>
Changes in operating assets and liabilities					
(Increase)/decrease in receivables		(17,035)	2,832	(17,722)	2,009
(Increase)/decrease in inventory		2,633	(982)	3,455	99
Increase/(decrease) in payables		(8,671)	(10,607)	(8,710)	(10,518)
Increase/(decrease) contract liabilities		(1,006)	11,257	(1,006)	11,257
Increase/(decrease) other liabilities		2,136	(19,255)	2,104	(19,215)
Increase/(decrease) in other provisions		858	(11,429)	860	(11,546)
		<u>(21,085)</u>	<u>(28,184)</u>	<u>(21,019)</u>	<u>(27,914)</u>
Net cash inflow from operating activities		80,976	58,131	80,891	58,351

Notes to the Financial Statements
For the year ended 30 June 2021

30 Reconciliation of liabilities arising from financing activities

For the year ended June 2021	As at 30 June 2020	Change in accounting policy	Cash flows	Non-cash changes	Non-cash changes (Fair Value)	As at 30 June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Borrowings *	551,051	-	93,313	34,346	254	678,964
Lease Liabilities	10,482	-	(4,882)	2,219	185	8,004
	561,533	-	88,431	36,565	439	686,968
Council						
Borrowings	551,051	-	93,313	34,346	254	678,964
Lease Liabilities	10,416	-	(4,774)	2,082	185	7,909
	561,467	-	88,539	36,428	439	686,873

* Borrowings include a non-cash adjustment for an early repayment adjustment as a result of refinancing Council's debt. Refer note 8(b) for further details.

For the year ended June 2020	As at 30 June 2019	Change in accounting policy	Cash flows	Non-cash changes (Leases)	Non-cash changes (Fair Value)	As at 30 June 2020
	\$'000		\$'000			\$'000
Consolidated						
Borrowings	407,488	-	143,291	-	272	551,051
Lease Liabilities	-	12,651	(4,662)	2,493	-	10,482
	407,488	12,651	138,629	2,493	272	561,533
Council						
Borrowings	407,488	-	143,291	-	272	551,051
Lease Liabilities	-	12,651	(4,662)	2,427	-	10,416
	407,488	12,651	138,629	2,427	272	561,467

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

Risk Management Framework

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's Audit Committee oversees how management monitors compliance with Council's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by Council. Council's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Council does not enter into derivatives.

Notes to the Financial Statements
For the year ended 30 June 2021

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 obligations.

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 exposure to credit risk for trade receivables by type of counterparty was as follows:

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Property Charges	11,376	12,019	11,376	12,019
Trade and other debtors	35,884	22,820	35,795	22,261
Contract Receivables - Sunshine Coast Airport Expansion Project	296,772	248,226	296,772	248,226
Loans to associates	434,393	434,393	434,893	434,893
Receivable other	696	4,176	696	4,176
Total	779,123	721,634	779,534	721,575

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for Council. Refer Note 12.

Expected credit loss assessment

Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

After reviewing macro economic conditions, Council reached the conclusion that forward looking conditions indicated no foreseeable expected deviations from historically calculated ratios, thus no forward looking adjustments were made.

Notes to the Financial Statements
For the year ended 30 June 2021

Write offs throughout the year

Consolidated and Council - 2021

	Gross carrying amount	Historical probability of default	Lifetime expected credit loss	Credit impaired
	\$'000	%	\$'000	\$'000
Statutory Charges				
Current				
Not past due	8,425	< .01%	(7)	8,419
Past due 31-60 days	147	< .01%	()	147
Past due 61-90 days	270	< .01%	()	270
More than 90 days	2,534	< .01%	(2)	2,532
Total	11,377	-	(9)	11,370

	Gross carrying amount	Historical probability of default	Lifetime expected credit loss	Credit impaired
	\$'000	%	\$'000	\$'000
Other Debtors				
Current				
Not past due	766,436	< .01%	(597)	765,839
Past due 31-60 days	579	< .01%	()	579
Past due 61-90 days	258	< .01%	()	258
More than 90 days	1,080	< .01%	(1)	1,079
Total	768,353	-	(598)	767,753

Consolidated and Council - 2020

	Gross carrying amount	Historical probability of default	Lifetime expected credit loss	Credit impaired
	\$'000	%	\$'000	\$'000
Statutory Charges				
Current				
Not past due	8,447	< .01%	(8)	8,439
Past due 31-60 days	629	< .01%	(1)	629
Past due 61-90 days	209	< .01%	-	209
More than 90 days	2,733	< .01%	(2)	2,731
Total	12,019	-	(11)	12,008

	Gross carrying amount	Historical probability of default	Lifetime expected credit loss	Credit impaired
	\$'000	%	\$'000	\$'000
Other Debtors				
Current				
Not past due	707,263	< .01%	(635)	706,629
Past due 31-60 days	420	< .01%	-	420
Past due 61-90 days	197	< .01%	-	197
More than 90 days	2,382	< .01%	(2)	2,380
Total	710,263	-	(637)	709,626

All amounts that were written off during the reporting period and are no longer subject to enforcement activity. Interest is charged on outstanding rates. No interest is charged on other debtors.

Notes to the Financial Statements
For the year ended 30 June 2021

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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Council is exposed to liquidity risk through its normal course of business and through its borrowings from QTC and other institutions.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits, both short and long term, to cater for unexpected volatility in cash flows.

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 policies introduced by Council to support customers through COVID-19, as well as the pandemic itself have impacted expected timing of cash flows for Council. This has led to a slight increase in liquidity risk resulting in higher debtors and a lower cash flow position, however at this time the effect on Council is minimal.

The following sets out the liquidity risk of financial liabilities (excluding lease liabilities for 2021, refer Note 19) held by Council. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

Consolidated		0 to 1 year	1 to 5 years	Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000
	Note				
2021					
Trade and other payables	18	37,112	-	-	37,112
Loans - Queensland Treasury Corporation (QTC)	21	28,700	378,900	363,466	771,067
Loan - Economic Development Queensland	21	840	3,360	5,040	9,240
		66,652	382,260	368,506	817,418
2020					
Trade and other payables	18	48,422	-	-	48,422
Loans - Queensland Treasury Corporation (QTC)	21	40,879	371,110	214,025	626,014
Loan - Economic Development Queensland	21	840	3,360	5,880	10,080
		90,140	374,470	219,905	684,516
Council					
		0 to 1 year	1 to 5 years	Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000
2021					
Trade and other payables	18	36,826	-	-	36,826
Loans - Queensland Treasury Corporation (QTC)	21	28,700	378,900	363,466	771,067
Loan - Economic Development Queensland	21	840	3,360	5,040	9,240
		66,366	382,260	368,506	817,132
2020					
Trade and other payables	18	47,648	-	-	47,648
Loans - Queensland Treasury Corporation (QTC)	21	40,879	371,110	214,025	626,014
Loan - Economic Development Queensland	21	840	3,360	5,880	10,080
		89,367	374,470	219,905	683,742

Notes to the Financial Statements
For the year ended 30 June 2021

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 indices, 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.

Council accounts for the interest free loan from Economic Development Queensland at Fair Value through Profit or Loss.

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 and Council	Net carrying amount		Effect on Net Result 1% increase/(decrease)		Effect on Equity 1% increase/(decrease)	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents	208,320	199,675	2,083	1,997	2,083	1,997
QTC Loans	(671,214)	(542,715)	-	-	-	-
Other Loans	(9,240)	(10,080)	-	-	-	-
Net total	(472,135)	(353,120)	2,083	1,997	2,083	1,997

The risk in borrowing is effectively managed by borrowing 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.

Notes to the Financial Statements
For the year ended 30 June 2021

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Queensland Treasury Corporation (QTC) borrowings	671,214	542,715	680,360	591,728
Economic Development Queensland borrowings	9,240	10,080	7,750	8,335
	680,454	552,795	688,110	600,064

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 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 21.

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.

32 National competition policy

The competitive neutrality principle provides that a government entity conducting a business activity in competition with the private sector should not enjoy a net advantage over its competitors only because it is in the public sector.

Competition reforms must be applied to significant business activities and may be applied to prescribed business activities.

(a) Significant business activities

The expenditure threshold for identifying a "significant business activity" for the 2020/21 financial year is \$9.70 million.

Council has resolved to apply the competitive neutrality principle to the Waste and Resources Management significant business activity through full cost pricing.

This requires charging for goods or services at the full cost of providing the goods or service in accordance with the pricing provisions and identifying the cost of community service obligations (CSO).

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) operational costs;
- b) administrative and overhead costs;
- c) cost of resources;
- d) depreciation expense;
- e) equivalents for Commonwealth or State taxes;
- f) equivalents for the cost of funds advantage Council obtains because of State guarantees on borrowings;
- g) return on capital (i.e. cost of debt plus return on equity invested in the business).

The CSO value is determined by Council, and represents an activity's costs(s) which would not be incurred if the primary objective of the activity was to make a profit.

Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be a CSO.

Full cost pricing is successfully applied if the total expected revenue from providing all of the activity's goods and services, including any CSO, is enough to meet expected total costs as defined above.

Notes to the Financial Statements
For the year ended 30 June 2021

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

The expenditure threshold for identifying a "prescribed business activity" for the 2020/21 financial year is \$340,000. Council has resolved to apply the Code of Competitive Conduct to the following business activities:

- a) Sunshine Coast Holiday Parks
- b) Quarries

This requires the application of the competitive neutrality principle, the pricing provisions and identifying any CSO.

(c) Business activity statements

The following activity statements are for activities subject to the competitive neutrality principle:

	Sunshine Coast Holiday Parks	Quarry Business Activity	Waste and Resource Management
	2021 \$'000	2021 \$'000	2021 \$'000
Revenue for services provided to Council	813	2,781	1,167
Revenue for services provided to external clients	19,503	1,723	79,226
Community Service Obligations (CSOs)	-	226	1,171
	20,316	4,730	81,564
Less : Expenditure	13,514	10,419	64,984
Surplus / (deficit)	6,802	(5,689)	16,581

Description of CSO's provided to business activities:

	Net cost 2021 \$'000	Net cost 2021 \$'000
Margin applied to internal sales	226	
Waste collection and disposal charges for charitable organisations		1,171

Notes to the Financial Statements
For the year ended 30 June 2021

33 Related party disclosures

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

(a) Transactions with Subsidiaries

<u>SunCentral Maroochydore Pty Ltd (wholly owned entity)</u>	2021	2020
	\$'000	\$'000
Revenue		
Receipt of contributions and sponsorship from subsidiary	10	74
Expenditure		
Purchase of materials and services from subsidiary	-	(4)
Annual development management fee paid to subsidiary	(1,850)	(1,971)
Maroochydore City Centre development costs paid to the subsidiary in accordance with established Development Service Contracts	(3,557)	(10,192)
	<u>(5,397)</u>	<u>(12,093)</u>

SunCentral Maroochydore Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2021/22 financial year. No SunCentral employees are related parties of Council.

<u>Sunshine Coast Events Centre Pty Ltd (wholly owned entity)</u>	2021	2020
	\$'000	\$'000
Revenue		
Recoupment of operating costs paid on behalf of the subsidiary	194	228
Recoupment of internal service costs from the subsidiary	89	89
Expenditure		
Operational funding paid to subsidiary	(1,562)	(1,527)
Purchase of materials and services from subsidiary	(38)	(74)
Maintenance and equipment provided to subsidiary	-	(3)
Payment of operating costs on behalf of the subsidiary	(204)	(245)
Provision of internal services to the subsidiary	(383)	(356)
Capital expenditure incurred on the property	(251)	(963)
	<u>(2,155)</u>	<u>(2,851)</u>

Sunshine Coast Events Centre Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2021/22 financial year. No Events Centre employees are related parties of Council.

<u>Sunshine Coast Arts Foundation Ltd (controlled entity)</u>	2021	2020
	\$'000	\$'000
Revenue		
Receipt of venue hire revenue from subsidiary	2	-
Expenditure		
Operational funding paid to subsidiary	(106)	(106)
Specific project funding	-	(10)
Insurance premiums	-	(3)
	<u>(104)</u>	<u>(119)</u>

The Sunshine Coast Arts Foundation Ltd is currently dependent on funding provided by Council as part of a three year funding agreement expiring in 2021. The foundation aims to be self funding from 2022. Cr Baberowski, a member of Council's Key Management Personnel, was appointed as a director of the foundation by a resolution of the Sunshine Coast Council in August 2018.

Notes to the Financial Statements
For the year ended 30 June 2021

(b) Transactions with associates

<u>Unitywater (associate)</u>	2021	2020
	\$'000	\$'000
Revenue		
Interest paid to Council	19,592	21,112
Recoupment Unitywater expenses incurred by Council	451	571
Participation returns (dividends) paid to Council	13,200	12,321
Tax equivalent paid to Council	17,054	16,409
Expenditure		
Water and sewerage charges for Council properties	(4,454)	(4,526)
Purchase of materials and services	(946)	(594)
	44,897	45,293

Further detail regarding Unitywater is contained in Note 14 Equity accounted investment.

(c) Transactions with Key Management Personnel

Key Management Personnel include the Mayor and Councillors, Chief Executive Officer and members of the Executive Leadership Team. Compensation paid to Key Management Personnel comprises:-

	2021	2020
	\$'000	\$'000
Short term employee benefits	(4,601)	(5,009)
Post employment benefits	(472)	(508)
Long term employee benefits	-	(65)
Termination benefits	-	(333)
	(5,073)	(5,915)

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.

	2021	2020
	\$'000	\$'000
(i) Employee expenses for close family members of key management personnel	(135)	(193)
(ii) Purchase of materials and services from entities controlled by close family members of key management personnel	-	(2,307)
(iii) Development applications submitted by related parties of key management personnel	1	6
	(134)	(2,494)

Notes to the Financial Statements
For the year ended 30 June 2021

- (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 and fill office and field staff roles.
- (ii) There were no purchases of materials and services from entities controlled by close family members of key management personnel in 2020/21.
- (iii) All development applications are assessed in accordance with relevant legislative requirements and paid for by applicants as per Council's adopted Fees & Charges. Council received over 20,000 (2020: 29,000) development applications during the year, 8 (2020: 19) of which were from related parties.

(e) Outstanding balances

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

Receivables	2021	2020
	\$'000	\$'000
(i) Not past due	10	2
Past due	2	
Past due more than 90 days	9	32
	<u>21</u>	<u>34</u>

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	2021	2020
	\$'000	\$'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.

Notes to the Financial Statements
For the year ended 30 June 2021

34 Restated balances
30 June 2021

- (a) During 2020/21, Council identified a prior period error that related to contributed assets that had acquisition dates prior to 1 July 2020. As a result, for 2019/20 Council had understated its contributed revenue and property, plant and equipment by \$18.066 million and applicable depreciation by \$0.259 million. To correct the impact of the prior period error, Council has adjusted the 2019/20 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.
- (b) During 2020/21, Council identified a prior period error that relates to asset records which have not previously been financially recognised, along with some erroneous records that have been removed from the financial register and operating expenditure held in works in progress that relates to dates prior to 1 July 2020. As a result, for 2019/20 Council had understated its plant and equipment and intangibles by \$10.399 million and associated depreciation and amortisation by \$5.063 million. To correct the impact of the prior period error, Council has adjusted the 2019/20 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.

Council	Note	Actual	Adjustments	Restated
		2020	2020	Actual
		\$'000	\$'000	2020
				\$'000
Statement of Comprehensive Income (Extract)				
Non-recurrent revenue				
Grants, subsidies, contributions, donations and other	4(b)	138,992	18,066	157,058
Total non-recurrent revenue		139,178	18,066	157,244
Total income		592,118	18,066	610,185
Recurrent expenses				
Materials and Services	7	194,849	3,115	197,965
Depreciation and amortisation	16	88,780	259	89,038
Total recurrent expenses		454,408	3,374	457,782
Net result (deficiency)		121,615	14,693	136,308
Total comprehensive income for the year		117,247	14,693	131,940
Statement of Financial Position (Extract)				
Non current assets				
Property, plant and equipment	16	4,523,368	18,851	4,542,219
Intangibles	17	12,774	(891)	11,883
Inventories	13	36,568	2,068	38,636
Total non-current assets		5,825,299	20,028	5,845,328
Total assets		6,076,785	20,028	6,096,813
Community equity				
Retained surplus/(deficiency)		4,691,253	20,028	4,711,281
Total community equity		5,349,477	20,028	5,369,505

Financial statements

Management Certificate For the year ended 30 June 2021

These general purpose financial statements have been prepared pursuant to sections 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 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
Sunshine Coast Regional Council

Dated: 7 October 2021



.....
Emma Thomas
Chief Executive Officer
Sunshine Coast Regional Council

Dated: 7 October 2021

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 2021, 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 2021, 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 certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 Auditing Standards*.

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

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.

Note 16(a) Property, plant and equipment—Infrastructure assets (\$3.4b)

Key audit matter	How my audit addressed the key audit matter
<p>Council's infrastructure assets (transport network, stormwater network and other infrastructure) were measured at fair value at balance date using the current replacement cost method that comprises:</p> <ul style="list-style-type: none"> • Gross replacement cost, less • Accumulated depreciation <p>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.</p> <p>Council engaged qualified consultants to provide cost movement indices to derive unit rates as at 30 June 2021.</p> <p>Unit rates require significant judgement for determining the:</p> <ul style="list-style-type: none"> • 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. <p>In measuring accumulated depreciation, council's engineers and asset managers use significant judgement for estimating how long asset components 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.</p> <p>The significant judgements required for gross replacement cost and useful lives outlined above are also significant for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • assessing the competence, capabilities and objectivity of valuers who have provided information on unit rates and unit cost movements • assessing the reasonableness of unit rates by evaluating the methods by which council determined the movement in unit cost indices and reasonableness of the result. This was done by: <ul style="list-style-type: none"> ▪ 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 ▪ 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 useful lives by: <ul style="list-style-type: none"> • reviewing management's annual assessment of useful lives • reviewing for evidence of infrastructure obsolescence, failure or disposals that could indicate a remaining useful life less than what is recorded • reviewing for evidence of infrastructure assets continuing to be used for longer than their recorded useful lives • comparing council's infrastructure useful life assumptions to other local councils • 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 adjusting in its asset registers and financial systems.

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Sunshine Coast Regional Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 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 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 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 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.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

- a) I received all the information and explanations I required.
- b) I consider that the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's and group's transactions and account balances to enable the preparation of a true and fair financial report.



C G Strickland
as delegate of the Auditor-General

8 October 2021

Queensland Audit Office
Brisbane

Current Year Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2021

Measures of Financial Sustainability

Council's performance at 30 June 2021 against key financial ratios and targets:

		Consolidated 2021	Council 2021	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	2.2%	-5.9%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	75.7%	75.7%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	49.6%	54.3%	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 2021.

Note 2 - Impact of Early Repayment Adjustment

During 2021 Council refinanced its existing loan portfolio and increased the principal amount which resulted in one-off early repayment costs of \$34.346 million. The refinanced amount will result in lower interest rates and free up cash flow through lower repayments over the life of the loan portfolio.

The early repayment costs have impacted the Operating Surplus Ratio, and if this hadn't occurred, the ratio would have been 1.4% which is within the targeted range.

Certificate of Accuracy

For the year ended 30 June 2021

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
Mayor
Sunshine Coast Regional Council

Dated: 7 October 2021



.....
Emma Thomas
Chief Executive Officer
Sunshine Coast Regional Council

Dated: 7 October 2021

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 financial sustainability statement of Sunshine Coast Regional Council for the year ended 30 June 2021, 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 2021 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Sunshine Coast Regional Council's annual report for the year ended 30 June 2021 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors responsibility also includes such internal control as the councillors determine 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.



C G Strickland
as delegate of the Auditor-General

8 October 2021

Queensland Audit Office
Brisbane

Long-Term Financial Sustainability Statement

Sunshine Coast Regional Council

For the year ended 30 June 2021

Measures of Council	Measure	Target	Actuals at 30 June 2021	Forward Estimates								
				30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2020	30 June 2030
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-5.9%	3.8%	5.9%	7.8%	8.6%	9.9%	9.7%	10.2%	10.7%	10.0%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	75.7%	85.6%	88.4%	84.1%	79.9%	79.5%	75.8%	71.5%	74.1%	78.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	54.3%	80.5%	87.6%	86.0%	73.4%	60.0%	50.9%	40.0%	31.6%	28.8%

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 forward estimates are aligned with Council's Long Term Financial Forecast, Financial Plan, Corporate Plan, Operational Plan and the Department of Infrastructure, Local Government and Planning financial sustainability measures.

The Operating Surplus Ratio, indicating the extent to which revenues cover operational expenses only, has been negatively impacted by COVID-19 in the amount of \$8.762 million. In addition, Council refinanced its existing loan portfolio and increased the principal amount which resulted in one-off early repayment costs of \$34.346 million. The early repayment costs have impacted the Operating Surplus Ratio, and if this hadn't occurred, the ratio would have been 1.4% which is within the targeted range.

The Asset Sustainability Ratio (reflecting the ongoing development of Council's asset management plans) is a strong result considering Council's relatively young asset base and reflects Council's ongoing commitment to the renewal of its assets.

The Sunshine Coast region has experienced exponential growth in recent periods, leading to an increase in new and contributed assets. The influx of new assets is reducing the collective age of Council's assets, lowering the requirement of renewals expenditure and the Asset Sustainability Ratio forecast. Sunshine Coast Council's renewal program is based on asset management plans and is completed in conjunction with a stringent scheduled maintenance program.

Although the Net Financial Liabilities Ratio is within target, this is due to the Sunshine Coast Airport Expansion Project Contract Receivable of \$297 million moving from non-current assets to current assets. Without this movement, the ratio would have exceeded the target at 117.3%. Council has significant borrowings for this project, which will be repaid on receipt of the \$297 million from Palisade Investment Partners Limited due on 30 June 2022.

The 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."

Certificate of Accuracy

For the year ended 30 June 2021

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

Dated: 7 October 2021



 Emma Thomas
 Chief Executive Officer
 Sunshine Coast Regional Council

Dated: 7 October 2021