Queensland Audit Office
Better public services

Your ref:
Our ref: 2019-4139
Carolyn Dougherty 3149 6129

14 October 2019

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

Dear Mr Whittaker

General Purpose Financial Statements—2018–19
Current-year Financial Sustainability Statement—2018–19

- 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 Minister for Local Government.

Yours sincerely

Carolyn Dougherty
Director

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

enc.

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Queensland Audit Office (QAO)

Sunshine Coast Regional Council

FINANCIAL STATEMENTS

For the year ended 30 June 2019

Table of contents

Sunshine Coast COUNCIL

Statements of Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Income						
Revenue						
Recurrent revenue						
Net rates and utility charges	3(a)	292,824	277,118	293,144	277,118	
Fees and charges	3(b)	57,386	58,061	55,824	56,050	
Lease revenue and sales from contracts and recoverable works	3(c)	15,977	15,399	15,779	15,148	
Share of tax equivalents of associate	3(d)	14,911	27,069	14,911	27,069	
Dividend Income	3(e)	-	-	13,121	268	
Interest received	3(f)	29,862	31,782	29,770	31,699	
Sale of land (net) - Maroochydore City Centre	3(g)	7,231	432	7,231	432	
Share of profit of associate	13	56,940	44,789	-	-	
Grants, subsidies, contributions, donations and other	4(a)	15,194	18,102	15,194	16,427	*
Total recurrent revenue		**490,324**	**472,752**	**444,973**	**424,211**	
Non-recurrent revenue						
Grants, subsidies, contributions and donations	4(b)	143,703	137,108	143,703	137,108	*
Total non-recurrent revenue		**143,703**	**137,108**	**143,703**	**137,108**	*
Total income		**634,027**	**609,860**	**588,676**	**561,319**	*
Expenses						
Recurrent expenses						
Employee benefits	5	(146,317)	(141,872)	(144,328)	(139,929)	
Materials and services	6	(190,586)	(191,515)	(189,658)	(188,160)	
Finance costs	7	(10,613)	(10,938)	(10,588)	(10,886)	
Depreciation and amortisation	15,16	(85,664)	(76,353)	(85,613)	(76,342)	
Contributions to controlled entities	8	-	-	(1,495)	(1,464)	
Total recurrent expenses		**(433,180)**	**(420,678)**	**(431,682)**	**(416,781)**	
Non-recurrent expenses						
Loss on disposal property, plant and equipment, intangibles and other.	9	(9,589)	(22,544)	(9,589)	(22,544)	
Movements in landfill and quarry provisions	19	(9,895)	(3,057)	(9,895)	(3,057)	
Assets transferred to third parties	9	(259)	(715)	(259)	(715)	
Impairment Expense	12	(44,802)	-	(44,802)	-	
Total non-recurrent expenses		**(64,545)**	**(26,316)**	**(64,545)**	**(26,316)**	
Total expenses		**(497,725)**	**(446,994)**	**(496,227)**	**(443,096)**	
Net result (deficiency)		**136,302**	**162,866**	**92,449**	**118,223**	*
Other comprehensive income						
Increase/(decrease) in asset revaluation surplus	21	(261,746)	57,651	(261,746)	57,651	
Total other comprehensive income		**(261,746)**	**57,651**	**(261,746)**	**57,651**	
Total comprehensive income for the year		**(125,445)**	**220,518**	**(169,297)**	**175,874**	*

** Comparative figures have been restated. Refer to Note 33 for details.*

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

Statements of Financial Position

As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Assets						
Current assets						
Cash and cash equivalents	10	265,691	292,118	263,421	290,202	
Trade and other receivables	11	17,292	22,086	17,167	17,518	
Inventories	12	13,976	17,278	13,949	17,206	
Other assets	14	24,705	23,896	24,659	23,848	
Total current assets		**321,665**	**355,378**	**319,196**	**348,774**	
Non-current assets						
Trade and other receivables	11	460,708	460,458	461,208	460,958	
Inventories	12	179,503	96,599	179,503	96,599	
Property, plant and equipment	15	4,275,912	4,334,714	4,275,829	4,334,628	*
Investment in associates	13	760,673	716,854	538,213	538,213	
Intangible assets	16	14,376	14,571	14,376	14,571	
Total non-current assets		**5,691,172**	**5,623,195**	**5,469,129**	**5,444,968**	*
Total assets		**6,012,837**	**5,978,573**	**5,788,326**	**5,793,742**	*
Liabilities						
Current liabilities						
Trade and other payables	17	77,576	79,061	76,609	73,925	*
Borrowings	18	26,510	22,951	26,510	22,951	
Provisions	19	45,915	20,011	45,771	20,024	
Other liabilities	20	16,793	9,075	16,728	8,992	*
Total current liabilities		**166,795**	**131,099**	**165,617**	**125,892**	*
Non-current liabilities						
Borrowings	18	380,977	266,031	380,977	266,031	*
Provisions	19	46,357	37,216	46,259	36,973	
Total non-current liabilities		**427,334**	**303,247**	**427,236**	**303,004**	*
Total liabilities		**594,130**	**434,346**	**592,854**	**428,897**	*
Net community assets		**5,418,707**	**5,544,227**	**5,195,473**	**5,364,846**	*
Community equity						
Asset revaluation surplus	21	643,073	904,819	643,073	904,819	
Retained surplus		4,775,634	4,639,408	4,552,400	4,460,027	*
Total community equity		**5,418,707**	**5,544,227**	**5,195,473**	**5,364,846**	*

** Comparative figures have been restated. Refer to Note 33 for details.*

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

Sunshine Coast COUNCIL

Statements of Changes in Equity

For the year ended 30 June 2019

Consolidated	Notes	Asset revaluation surplus $'000	Retained surplus $'000	Total $'000
For the year ended 30 June 2019				
Balance as at 1 July 2018		904,819	4,639,408	5,544,226
Adjustment on initial application of AASB 9	11	-	(75)	(75)
Increase (decrease) in asset revaluation surplus	21	(261,746)	-	(261,746)
Net result		-	136,302	136,302
Balance as at 30 June 2019		**643,073**	**4,775,634**	**5,418,707**
For the year ended 30 June 2018				
Balance as at 1 July 2017		847,168	4,098,515	4,945,683
Opening balance adjustment			378,029	378,029
Increase (decrease) in asset revaluation surplus	21	57,651	-	57,651
Net result		-	162,866	162,866
Balance as at 30 June 2018		**904,819**	**4,639,408**	**5,544,227**

Statements of Changes in Equity

For the year ended 30 June 2019

Council	Notes	Asset revaluation surplus $'000	Retained surplus $'000	Total $'000
For the year ended 30 June 2019				
Balance as at 1 July 2018		904,819	4,460,027	5,364,846
Adjustment on initial application of AASB 9		-	(75)	(75)
Increase (decrease) in asset revaluation surplus	21	(261,746)	-	(261,746)
Net result		-	92,449	92,449
Balance as at 30 June 2019		**643,073**	**4,552,400**	**5,195,473**
For the year ended 30 June 2018				
Balance as at 1 July 2017		847,168	3,963,775	4,810,943
Opening balance adjustment			378,029	378,029
Increase (decrease) in asset revaluation surplus	21	57,651	-	57,651
Net result		-	118,223	118,223
Balance as at 30 June 2018		**904,819**	**4,460,027**	**5,364,846**

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

Sunshine Coast. COUNCIL

Statements of Cash Flows

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Cash flows from operating activities					
Receipts from customers		398,575	378,713	371,518	352,876
Payments to suppliers and employees		(344,244)	(338,871)	(317,494)	(313,411)
Interest and dividends received		57,894	59,119	57,802	59,037
Recurrent grants and contributions		15,194	14,122	15,194	14,122
Borrowing costs	7	(8,877)	(9,065)	(8,877)	(9,065)
Finance costs	7	(1,710)	(1,821)	(1,710)	(1,821)
Net cash inflow (outflow) from operating activities	28	**116,831**	**102,196**	**116,431**	**101,738**
Cash flows from investing activities					
Payments for property, plant and equipment		(327,782)	(191,261)	(327,735)	(191,097)
Net movement in loans and advances		(250)	(26,064)	(250)	(26,064)
Proceeds from sale of property, plant and equipment		8,234	83,027	8,234	83,027
Grants, subsidies, contributions and donations		58,323	38,993	58,323	38,993
Net cash inflow (outflow) from investing activities		**(261,475)**	**(95,306)**	**(261,428)**	**(95,142)**
Cash flows from financing activities					
Proceeds from borrowings		136,746	31,583	136,746	31,583
Repayment of borrowings		(18,529)	(30,351)	(18,529)	(30,351)
Net cash inflow (outflow) from financing activities		**118,216**	**1,232**	**118,216**	**1,232**
Net increase (decrease) in cash and cash equivalents held		(26,427)	8,123	(26,781)	7,828
Cash and cash equivalents at beginning of financial year		292,118	283,995	290,202	282,375
Cash and cash equivalents at end of the financial year		**265,691**	**292,118**	**263,421**	**290,202**

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

Notes to Financial Statements
For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

1.01 Basis of Preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.02 Recurrent/Non-recurrent Classification

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

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

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

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

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

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

1.03 Basis of Consolidation

Subsidiaries

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

Sunshine Coast COUNCIL

Notes to Financial Statements
For the year ended 30 June 2019

Transactions between Council and entities controlled by Council have been eliminated when preparing consolidated accounts. In addition, the accounting policies of controlled entities have been adjusted on consolidation where necessary, to ensure the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Information on controlled entities that have been consolidated is included in Note 26.

Council had an interest in two (2) subsidiaries during the year (3 in 2018) being Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd. Council wholly owns the issued shares of Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd. In 2018, Council owned all the issued share and units in Sunshine Coast Airport Pty Ltd as trustee for Sunshine Coast Airport Trust until sold on 1 December 2017 to Palisade Investment Partners Pty Limited on commencement of the 99 year lease of the airport.

1.04 Constitution

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

1.05 Adoption of New and Revised Accounting Standards

This year Council has applied AASB 9 *Financial Instruments* for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way Council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

On 1 July 2018 (the date of initial application), Council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were also unchanged, except for receivables which decreased by $0.075M due to an increase in impairment under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

Financial asset/liability	**Measurement category (unchanged)**
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost

Sunshine Coast COUNCIL

Notes to Financial Statements

For the year ended 30 June 2019

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

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

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions* .

Identifiable impacts at the date of this report are:

Some grants received by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:
- Revenue decrease of $8,811M due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment);
- there would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables;
- net result would be lower on initial application as a result of decreased revenue.

A range of new disclosures will also be required by the new standards in respect of the Council's revenue.

Notes to Financial Statements
For the year ended 30 June 2019

Transition method

Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004 prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

AASB *16 Leases*

Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until Council presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which Council is a lessee

Council will recognise new assets and liabilities for its operating leases of motor vehicles (see Note 22). The nature of expenses related to those leases will now change because Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Council has elected not to recognise IT leases under the AASB 16 as they have been assessed as being low-value assets under the standard.

No significant impact is expected for the Council's finance leases.

Sunshine Coast. COUNCIL

Notes to Financial Statements
For the year ended 30 June 2019

Based on Council's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts:
- lease assets and financial liabilities on the balance sheet will increase by $7.411 million and $7.951 million respectively (based on the facts available to Council at the date of assessment);
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

Leases in which Council is a lessor

No significant impact is expected for other leases in which the Council is a lessor (see Note 25).

Peppercorn Leases

Council is the leasee of a number of Deed of Grant in Trust leases, for which little or no lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

Transition method

Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

1.06 Estimates and Judgements

Where necessary, judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to Council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment - Note 15
Impairment of property, plant and equipment - Note 15
Provisions - Note 19
Contingencies - Note 23
Financial instruments and financial risk management - Note 30

Sunshine Coast COUNCIL

Notes to Financial Statements

For the year ended 30 June 2019

1.07 Rounding and Comparatives

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Restated balances are detailed in Note 33 and indicated with an asterix (*) throughout the financial statements.

1.08 Taxation

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

Sunshine Coast COUNCIL

Notes to Financial Statements

For the year ended 30 June 2019

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:

Office of the Mayor and Office of the CEO
The Mayor and CEO Offices provide strategic support and advice to the Mayor, Councillors, CEO, and staff.

The Offices deliver organisational leadership, coordination and decisions for key corporate initiatives, legal advice, audit assurance, statutory and corporate meeting management and facilitate government, business and community relationships. The CEO has ultimate organisational operational accountability for all staff and resources. All Groups report to the CEO functionally.

There are two Offices and five Groups that sit under the Chief Executive Officer - the Office of the CEO is comprised of Communication, Corporate Governance, Strategy and Coordination and Major Projects.

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

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

Customer Engagement and Planning Services Group
The Customer Engagement and Planning Services Group is focussed on providing strategic and operational services to business and the community, particularly regulatory enforcement. The Group is responsible for Customer Response, Development Services, Strategic Planning, and 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. The Group is responsible for Arts Heritage and Library, Community Planning and Development, Economic Development, and Sport and Community Venues.

Notes to Financial Statements

For the year ended 30 June 2019

Liveability and Natural Assets Group

The Liveability and Natural Assets Group is focussed on planning and delivery of the environment and liveability of the region. The Group advises on the sustainable environmental and infrastructure development so it meets the needs of the region's growing population. The Group is responsible for Design and Place Making Services, Environmental and Sustainability Policy, Environmental Operations, Project Delivery and 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.

Maroochydore City Centre

The Maroochydore City Centre Project is located on a 53ha greenfield site in the heart of Maroochydore and has been declared a Priority Development Area by the Queensland Government. The project's staged delivery aims to produce an expanded and preeminent Central Business District (CBD) for the Sunshine Coast region and includes commercial, retail, mixed use and residential apartment precincts, a premium hotel and entertainment, convention and exhibition facilities. Forty percent of the site is to be retained as parkland, plazas, public domain and waterways. The city centre is being designed to be a smart city containing Australia's first automated waste collection system for a CBD along with high speed digital connections and a range of innovations such as smart lighting and signage, and technology that assists parking, traffic management and provides real time information for public transport. The Cable Landing Station for the international sub-sea broadband cable is under construction on the immediate eastern edge of the site and Stage 1A.

The Stage 1A civil works have been completed and the first commercial buildings commence construction in the second half of 2019. These first buildings include an 8 storey commercial building, a 152 apartment residential project and an 167 room business hotel. The Council's City Hall building is expected to commence construction in 2020. These developments and transactions involve 8 Lots in the first stage. Submissions for the majority of Lots within this stage are undergoing review and commercial negotiation by SunCentral Maroochydore Pty Ltd (SCM) – Council's development manager for the project.

For the next stages, a major Invitation for Expressions of Interest process is being conducted by SCM during 2019/20.

Notes to Financial Statements

For the year ended 30 June 2019

Sunshine Coast Airport Runway

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

Council has partnered with Palisade Investment Partners Limited who will operate the airport under a 99 year lease which commenced on 1 December 2017. The transfer of the airport business was represented as a Discontinued Operation in 2018.

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

Council has maintained responsibility for facilitating the airport expansion project, which includes construction of a new runway, apron expansion and related infrastructure. Council entered into a sublease over the construction site to enable this. Council will receive $290 million from Palisade on the later of completion of the new runway or 30 June 2022, at which time the sublease will be surrendered.

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

Sunshine Coast International Broadband Network

This project aims to deliver a new international submarine broadband connection to the Sunshine Coast, including associated land infrastructure.

Council is working with RTI Connectivity and Alcatel Submarine Networks to deliver the undersea component of the project while Council is responsible for the required landside infrastructure. The landside infrastructure includes a cable landing station (under construction), beach manhole and horizontal directional drilling (contract awarded and construction commencement in August 2019), and terrestrial connection between the two points (under construction).

The total project cost is expected to be $35 million, of which $16.2 million is required to be paid in USD. The Queensland Government is contributing $15 million to the project. The installation of the cable is expected to start late 2019 and be ready for service in the second half of 2020.

Sunshine Coast. COUNCIL

Notes to financial statements

For the year ended 30 June 2019

2 (b) Analysis of results by function

	Gross program income Recurrent	Gross program income Non-recurrent	Elimination of inter-function transactions	Total Income	Gross program expense Recurrent	Gross program expense Non-recurrent	Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Built Infrastructure	32,022	40,938	(23,041)	49,920	(205,071)	(3,649)	36,267	(172,454)	(159,823)	(122,534)	3,472,514
Customer Engagement and Planning Services	110,370	49	(20,124)	90,295	(123,681)	(11,509)	29,756	(105,433)	(3,679)	(15,138)	109,531
Economic and Community Development	27,097	2,611	498	30,206	(103,344)	357	16,682	(86,305)	(59,068)	(56,099)	192,060
Liveability and Natural Assets	20,581	91,210	(8,437)	103,354	(55,918)	-	16,676	(39,242)	(27,098)	64,112	97,481
Region Making Projects	7,238	2,500	(1)	9,737	(4,367)	(45,229)	401	(49,195)	3,270	(39,459)	294,538
Business Performance	355,688	6,393	(57,670)	304,411	(43,266)	(4,515)	15,350	(32,431)	270,102	271,980	1,620,615
Mayor and CEO Offices	14,601	-	(13,847)	753	(18,548)	-	7,382	(11,166)	(10,413)	(10,413)	1,586
Controlled Entities Net of Eliminations	45,351		-	45,351	(1,499)	-	-	(1,499)	43,852	43,852	224,511
Total Consolidated Continuing Operations	**612,947**	**143,703**	**(122,623)**	**634,027**	**(555,695)**	**(64,545)**	**122,514**	**(497,725)**	**57,144**	**136,302**	**6,012,837**

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For the year ended 30 June 2018

2 (b) Analysis of results by function

	Gross program income Recurrent	Gross program income Non-recurrent	Elimination of inter-function transactions	Total Income	Gross program expense Recurrent	Gross program expense Non-recurrent	Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000
Built Infrastructure	41,020	6,533	(31,776)	15,778	(191,308)	(10,750)	39,819	(162,239)	(142,245)	(146,462)	3,627,919
Customer Engagement and Planning Services	110,271	67	(22,150)	88,188	(131,443)	(3,103)	37,224	(97,322)	(6,098)	(9,134)	98,399
Economic and Community Development	20,003	-	13,130	33,133	(88,937)	(4,085)	4,036	(88,986)	(51,768)	(55,852)	183,743
Liveability and Natural Assets	22,228	127,085	(11,660)	137,652	(58,457)	(85)	19,398	(39,144)	(28,492)	98,508	72,587
Region Making Projects	2,777	- *	-	2,777 *	(5,339)	(5,067)	300	(10,106)	(2,262)	(7,328)	165,792
Business Performance	373,260	3,423	(66,162)	310,521	(57,732)	(206)	24,436	(33,502)	273,803	277,019	1,644,048
Mayor and CEO Offices	13,552	-	(13,483)	69	(15,667)	-	6,890	(8,777)	(8,708)	(8,708)	1,252
Controlled Entities Net of Eliminations	21,741	-	-	21,741	(3,897)	-	-	(3,897)	17,844	17,844	184,833
Less Discontinued operations		-	-	-		(3,021)	-	(3,021)	-	(3,021)	-
Total Consolidated Continuing Operations	**604,853**	**137,108** *	**(132,101)**	**609,860** *	**(552,780)**	**(26,316)**	**132,102**	**(446,994)**	**52,074**	**162,866** *	**5,978,573**

** Comparative figures have been restated. Refer to Note 33 for details.*

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

3 Revenue analysis

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

(a) Net rates and utility charges

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
General rates	233,462	215,069	233,782	215,069
Waste management	53,353	50,274	53,353	50,274
Tourism and special levies	8,356	13,866	8,356	13,866
Environment levy	10,372	9,876	10,372	9,876
Rural fire levy	476	444	476	444
Valuation fees	81	98	81	98
	306,100	289,628	306,420	289,628
Total rates and utility charge revenue				
Less: discounts	(9,213)	(8,528)	(9,213)	(8,528)
Less: pensioner remissions	(3,105)	(3,095)	(3,105)	(3,095)
Less: rebates	(957)	(887)	(957)	(887)
	(13,276)	(12,510)	(13,276)	(12,510)
Net rates and utility charges	**292,824**	**277,118**	**293,144**	**277,118**

(b) Fees and charges

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Application fees (development)	9,800	9,038	9,800	9,038
Holiday parks	16,523	16,265	16,523	16,265
Cemetery fees	1,050	1,104	1,050	1,104
Parking fees	585	599	585	599
Refuse tip fees	6,191	6,706	6,191	6,706
Registration fees	1,224	1,174	1,224	1,174
Search fees	1,031	1,123	1,031	1,123
Waste service charges	415	465	415	465
Change of ownership fees	855	959	855	959
Fines and penalties	2,640	3,088	2,640	3,088
Venue hire	1,208	1,211	1,208	1,211
Development services	7,923	9,217	7,923	9,217
Permits and licences	1,499	1,386	1,499	1,386
Other fees and charges	6,444	5,727	4,882	3,716
	57,386	**58,061**	**55,824**	**56,050**

(c) Lease revenue and sales from contracts and recoverable works

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Lease revenue	1,683	1,436	1,485	1,186
Recoverable works	1,484	831	1,484	831
Sale of recyclables	2,856	2,824	2,856	2,824
Solar farm	1,951	2,561	1,951	2,561
Other revenue	8,003	7,746	8,003	7,746
	15,977	**15,399**	**15,779**	**15,148**

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

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

(d) Share of tax equivalents of associate

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

	Consolidated		Council	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
	14,911	27,069	14,911	27,069

(e) Dividend income

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

	Consolidated		Council	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
	-	-	13,121	268

(f) Interest received

Interest received is accrued over the term of the investment.

	Consolidated		Council	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest received from associate	21,807	22,502	21,807	22,502
Interest received from cash and term deposits	7,392	8,614	7,300	8,532
Interest from overdue rates and utility charges	663	665	663	665
	29,862	31,782	29,770	31,699

(g) Sale of land - Maroochydore City Centre

	Consolidated		Council	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Sale of land - Maroochydore city centre	10,680	715	10,680	715
Less: cost of goods sold	(3,449)	(283)	(3,449)	(283)
Net sale of land - Maroochydore City Centre	7,231	432	7,231	432

* Land Sales for Maroochydore City Centre were classified in Contract Sales Revenue in 2017/18

4 Grants, subsidies, contribution, donations and other

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

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

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

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

(a) Recurrent revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Government grants and subsidies commonwealth	12,212	11,056	12,212	11,056	
Government grants and subsidies state	2,689	4,898	2,689	4,898	*
Grants and subsidies other	19	3	19	3	
Contributions and donations	274	2,146	274	470	
	15,194	**18,102**	**15,194**	**16,427**	*

(b) Non-recurrent revenue

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Government grants and subsidies commonwealth	2,005	1,002	2,005	1,002	
Government grants and subsidies state	14,492	7,487	14,492	7,487	
Developer contributions	42,328	39,427	42,328	39,427	
Infrastructure from developers at fair value	85,379	90,258	85,379	90,258	
	144,204	**138,174**	**144,204**	**138,174**	
Total Non-recurrent revenue					
Less: discount allowed developer contributions	(502)	(1,066)	(502)	(1,066)	
Net Non-recurrent revenue	**143,703**	**137,108**	**143,703**	**137,108**	*

5 Employee benefits

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Total wages and salaries		126,737	112,256	125,043	110,614
Councillors' remuneration *		1,806	1,765	1,806	1,765
Annual, sick and long service leave entitlements		15,510	18,977	15,373	18,831
Superannuation	24	15,147	19,712	14,990	19,557
		159,200	**152,710**	**157,211**	**150,767**
Other employee related expenses		3,439	3,573	3,439	3,573
		162,640	**156,283**	**160,651**	**154,340**
Less: Capitalised employee expenses		(16,322)	(14,404)	(16,322)	(14,404)
Less: Employee expenses transferred to third parties		-	(8)	-	(8)
		146,317	**141,872**	**144,328**	**139,929**

* 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 2019	Consolidated 2018	Council 2019	Council 2018
Elected Members	11	11	11	11
Staff	1,713	1,670	1,679	1,641
Total full time equivalent employees	**1,724**	**1,681**	**1,690**	**1,652**

Sunshine Coast COUNCIL

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For the year ended 30 June 2019

6 Materials and services

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Advertising	1,894	2,013	1,894	2,013
Audit of annual financial statements by the Auditor General of Queensland	305	288	278	261
Consultancy fees	6,796	8,141	6,796	8,141
Commissions paid	2,838	3,048	2,838	3,048
Contract services parks and gardens	15,696	16,008	15,696	16,008
Contract services waste collection	30,248	28,999	30,248	28,999
Contract services environmental operations	10,039	11,655	10,039	11,655
Contract services property management	7,577	7,867	7,577	7,867
Contract services sport and community venues	7,517	7,205	7,517	7,205
Contract services civil asset management	7,184	7,031	7,184	7,031
Contract services transport infrastructure management	2,445	1,913	2,445	1,913
Contract services art, heritage and libraries	2,494	2,258	2,494	2,258
Contract services other	17,278	13,357	16,988	13,357
Donations	6,188	4,646	6,188	4,646
Electricity	7,732	8,031	7,625	8,031
Entertainment and hospitality	637	666	637	666
Equipment < $5,000	1,370	1,150	1,370	1,150
Fuel	2,865	2,701	2,865	2,701
Grants to community organisations	8,164	7,949	8,164	7,949
Insurance	2,273	2,583	2,273	2,583
Legal fees	1,857	3,780	1,857	3,780
Library resources	1,429	1,393	1,429	1,393
Materials road base	2,299	2,729	2,299	2,729
Operating leases - rentals	8,079	7,723	8,079	7,723
Plant and equipment hire	5,838	5,409	5,838	5,409
Security services	1,421	1,370	1,421	1,370
Software and maintenance	6,791	7,033	6,791	7,033
Telecommunications	3,960	4,246	3,931	4,246
Water and sewerage charges	5,097	5,416	5,097	5,416
All other materials and services	17,421	21,762	16,946	18,433
	195,731	198,370	194,802	195,014
Less: Capitalised expenses	(4,885)	(6,148)	(4,885)	(6,148)
Less: Internal costs transferred to third parties	(259)	(707)	(259)	(707)
	190,586	**191,515**	**189,658**	**188,160**

7 Finance costs

		Consolidated		Council	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Borrowing costs charged by the Queensland Treasury Corporation and other loan providers *		8,877	9,065	8,877	9,065
Bank charges and credit card fees		1,006	949	981	897
Finance costs due to unwinding (waste and quarry provisions and below market value loans)	19	331	451	331	451
Impairment of debts		351	314	351	314
Other finance costs		48	160	48	160
		10,613	**10,938**	**10,588**	**10,886**

* 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 $4.507 million capitalised against the Maroochydore City Centre project ($4.663 million in 2018), $0.690 million capitalised against the Sunshine Coast Airport Expansion project ($0.028 million in 2018), $0.060 million capitalised against the Brisbane Road Carpark development (nil in 2018) and $0.003 million capitalised against the Sunshine Coast International Broadband Network (nil in 2018).

Sunshine Coast COUNCIL

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	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
8 Contributions to controlled entities				
Contributions to controlled entities	-	-	1,495	1,464

9 Non-recurrent expenses

Gain/(Loss) on disposal of non-current assets	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Proceeds from the sale of plant and equipment	1,275	495	1,275	495
Less carrying amount sold	(642)	(197)	(642)	(197)
Less carrying amount disposed and written-off	(48)	(153)	(48)	(153)
	585	**145**	**585**	**145**
Proceeds from the sale of property and land	6,531	542	6,531	542
Less carrying amount sold	(10,954)	(537)	(10,954)	(537)
Less carrying amount disposed and written-off	(662)	(17,106)	(662)	(17,106)
	(5,086)	**(17,101)**	**(5,086)**	**(17,101)**
Replacement of roads, stormwater and other infrastructure				
Less carrying amount:				
Replaced and renewed	(1,952)	(1,332)	(1,952)	(1,332)
Disposed and written-off	(3,136)	(1,175)	(3,136)	(1,175)
	(5,088)	**(2,508)**	**(5,088)**	**(2,508)**
Replacement of intangibles				
Less carrying amount:				
Replaced and renewed	-	-	-	-
Disposed and written-off	-	(59)	-	(59)
	-	**(59)**	**-**	**(59)**
Loss on disposal of property, plant and equipment, and intangibles	**(9,589)**	**(19,523)**	**(9,589)**	**(19,523)**
Profit/Loss on transfer of assets and liabilities				
Sunshine Coast Airport Pty Ltd	**-**	**(3,021)**	**-**	**(3,021)**
Loss on disposal of property, plant and equipment, intangibles and other	**(9,589)**	**(22,544)**	**(9,589)**	**(22,544)**
Assets transferred to third parties *				
Employee expenses transferred to third parties	-	(8)	-	(8)
Internal costs transferred to third parties	(259)	(707)	(259)	(707)
	(259)	**(715)**	**(259)**	**(715)**

*Included in 2019 is $0.259 million ($0.715 million in 2018) related to work performed on public utility provider assets.

Sunshine Coast COUNCIL

Notes to the Financial Statements
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10 Cash and cash equivalents

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

Cash and cash equivalents include an amount of $70 million (2018 $60 million) in short-term investments. Short-term investments have an original maturity date of greater than three months from the balance date of the financial statements.

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Total cash and equivalents	265,691	292,118	263,421	290,202

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Externally imposed expenditure restrictions	153,407	138,429	153,407	138,429
Internally imposed expenditure restrictions	21,120	24,664	21,120	24,664
Total unspent restricted cash	**174,526**	**163,093**	**174,526**	**163,093**

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Constrained works	117,721	107,960	117,721	107,960
General	16,027	14,419	16,027	14,419
Levy funded	18,091	14,482	18,091	14,482
Special purpose	1,568	1,568	1,568	1,568
Total unspent restricted cash	**153,407**	**138,429**	**153,407**	**138,429**
Internally imposed expenditure restrictions at the reporting date:				
General	21,120	24,664	21,120	24,664
Total unspent restricted cash	**21,120**	**24,664**	**21,120**	**24,664**

Cash at bank and on hand at 30 June 2019 includes $8.987M received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019/20 waste levy expense.

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

11 Trade and other receivables

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

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

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Rates and utility charges	4,418	3,982	4,418	3,982
Infringements	2,156	2,260	2,156	2,260
Infrastructure charges	4,231	3,266	4,231	3,266
Trade debtors	3,857	9,258	3,732	4,690
GST receivable	3,166	3,799	3,166	3,799
Other debtors	4	4	4	4
Less allowance for impairment	(540)	(482)	(540)	(482)
	17,292	**22,086**	**17,167**	**17,518**

Interest is charged on outstanding rates at 11% per annum (reducing to 9.83% from 1 July 2019). No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening balance at 1 July	482	524	482	524
Adjustment to opening balance upon application of AASB 9*	75	-	75	-
Impairment debts written off during the year	(368)	(354)	(368)	(354)
Additional impairments recognised	351	312	351	312
Closing balance at 30 June	**540**	**482**	**540**	**482**

*Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology and resulting in an opening balance adjustment of ($0.057) million. Further details of Council's expected credit loss assessment are contained in Note 30.

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000
Non-Current					
Trade debtors		17,060	17,060	17,060	17,060
Loans receivable		9,254	9,004	9,254	9,004
Loan to associate - subordinated debt	13	434,393	434,393	434,393	434,393
Shares in controlled entities		-	-	500	500
		460,708	**460,458**	**461,208**	**460,958**

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

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

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

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

The subordinated interest only loan terminates on 30 June 2033 with the interest rate to be set by QTC annually. Applicable interest rate for 2019 was 5.02% (2018 5.02%).

12 Inventories

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

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

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Equipment, stores and quarries *	1,357	1,209	1,330	1,137
Land being developed for resale **				
Work in Progress	-	16,068	-	16,068
Finished Goods	12,619	-	12,619	-
Closing current inventories at 30 June	**13,976**	**17,278**	**13,949**	**17,206**

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current				
Land held for future development and resale **				
Work in Progress	36,568	36,568	36,568	36,568
Runway under development and resale* **				
Work in Progress	187,737	60,031	187,737	60,031
Accumulated Impairment	(44,802)		(44,802)	
Closing non-current inventories at 30 June	**179,503**	**96,599**	**179,503**	**96,599**

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** 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 the Development Manager will be conducted to confirm future development plans and land scheduled for development and resale.

Land planned for resale will be released in stages over the life of the project (approximately 20 years). Current land inventory in Stage 1A has been released with 4 parcels recognised as sales during the 2018/19 financial year. Non-current land inventory is being held for future development in Stages 2-6. Land planned for resale is recognised at cost, being the lesser of cost and net realisable value. Inventory costs include costs to develop the land ready for resale and other directly attributable costs such as project overheads and borrowing costs.

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

The runway inventory costs are recognised at net realisable value, being the lesser of cost and net realisable value. The non-current runway inventory recognised an impairment for the 2018/19 financial year due to State mandated PFAS remediation expenditure and project costs.

13 Investment in associates

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

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

Name of Associate	Northern SEQ Distributor-Retailer Authority (trading as Unitywater)
Principal Activity	Provision of Water and Wastewater Services
Principal Place of Business	Caboolture Qld
Proportion of Ownership Interest	37.51% (2018 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.

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(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 2019 is 5.02% (2018: 5.02%).

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	
Movement in carrying amount	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investment	716,854	672,333	538,213	538,213
Share of profits after tax and before dividends	56,940	44,789	-	-
Dividends received/receivable	(13,121)	(268)	-	-
Carrying amount at the end of the financial year	**760,673**	**716,854**	**538,213**	**538,213**

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

Summary financial information for the Authority, not adjusted for the percentage ownership held by Council, as reflected in their 30 June 2019 financial statements is detailed below.

Extract from the Authority's Statement of Comprehensive Income	2019 $'000	2018 $'000
Total revenues	730,579	696,248
Ordinary expenses	(513,918)	(490,211)
Profit before income tax equivalent	216,661	206,037
Income tax equivalent expense	(64,861)	(86,632)
Total profit (after tax)	151,800	119,405
Share of Profit of Associate	**56,940**	**44,789**
Total assets	3,902,190	3,777,942
Total liabilities	(1,865,263)	(1,858,898)
Net assets	2,036,927	1,919,044

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.

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For the year ended 30 June 2019

14 Other assets

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Prepayments	4,201	5,122	4,201	5,122
Accrued revenue	20,504	18,774	20,458	18,726
	24,705	**23,896**	**24,659**	**23,848**

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Notes to Financial Statements
For the Year Ended 30 June 2019

15 Property, Plant and Equipment

15 (a) Recognition

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

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

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

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

15 (b) Measurement

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs directly related to the acquisition and incurred in preparing the asset for use as intended by management. Subsequent to initial measurement, each asset class is stated at fair value or cost less, where applicable, any accumulated depreciation or accumulated impairment loss, as shown in Note 15(f).

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

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

15 (c) Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 15(f).

15 (d) Impairment

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

15 (e) Valuation

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

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

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

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

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

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

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

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

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

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

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15 (f) Movements

Council	Note	Land	Buildings	Plant & Equipment	Transportation Network	Stormwater Network	Other Infrastructure	Capital Works in Progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
For the year ended 30 June 2019									
Gross value / cost		581,308	316,324	56,588	2,421,492	1,265,091	497,179	288,342	5,426,326
Less accumulated depreciation		-	(106,775)	(28,720)	(628,353)	(254,319)	(132,329)		(1,150,497)
Book value as at 30 June		581,308	209,550	27,868	1,793,139	1,010,772	364,850	288,342	4,275,829
For the year ended 30 June 2018									
Gross value / cost		525,462	316,005	58,461	2,526,948	1,237,471	564,810	151,325	5,380,483
Less accumulated depreciation		-	(98,505)	(30,026)	(538,683)	(242,605)	(136,037)	-	(1,045,856)
Book value as at 30 June		525,462	217,501	28,434	1,988,265	994,867	428,773	151,325	4,334,628

	Note	Land	Buildings	Plant & Equipment	Transportation Network	Stormwater Network	Other Infrastructure & Waterways	Capital Works in Progress	2019 Total	2018 Total
Basis of measurement		Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	-	-
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening net value as at 1 July		525,462	217,501	28,434	1,988,265	994,867	428,773	151,325	4,334,626	3,753,549
Adjustment to opening balance*	33	-	-	-	-	-	-	-	-	396,884
Reclassification to operating expense		-	-	-	-	-	-	(701)	(701)	(6,568)
Plus capital expenses		-	-	-	-	-	-	346,001	346,001	209,333
Reclassification to inventory work in progress	12	-	-	-	-	-	-	(127,706)	(127,706)	(72,909)
Transfers from capital works in progress		28,039	6,361	3,949	34,811	1,664	5,787	(80,611)	-	-
Plus contributed assets		12,344	796	-	42,818	27,024	2,396		85,379	61,000
Plus contributed assets not previously recognised		-	-	-	-	-	-	-	-	29,064
Less disposals	9	(6,342)	(4,552)	(691)	(1,891)	(1,266)	(2,654)	-	(17,396)	(21,159)
Less depreciation provided in period		-	(10,554)	(3,962)	(42,217)	(11,570)	(14,359)		(82,662)	(72,848)
Revaluation adjustments to asset revaluation surplus	21	21,805	(2)	-	(282,533)	(918)	(99)		(261,746)	57,651
Transfer (to)/from intangibles	16	-	-	-	-	-	-	33	33	629
Transfer between classes		-	-	138	53,885	971	(54,994)		-	-
Book value as at 30 June		581,308	209,550	27,868	1,793,139	1,010,772	364,850	288,342	4,275,830	4,334,628
Range of estimated useful lives in years		unlimited	2-100	2-60	5-unlimited	5-135	5-unlimited			

*Adjustment to opening balance includes assets discovered though the data reconciliation process of the financial and spatial asset registers. Also included are assets removed from the financial asset register that could not be spatially or physically substantiated to be under Council's control.

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15 (g) Fair value measurement

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

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

The table below represents Council's assets measured and recognised at fair value at 30 June 2019. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Land	93,053	98,835	488,255	426,627	**581,308**	**525,462**
Buildings	1,410	1,410	208,139	216,091	**209,550**	**217,501**
Other Infrastructure	-	-	364,850	428,773	**364,850**	**428,773**
Transportation	-	-	1,793,139	1,988,265	**1,793,139**	**1,988,265**
Stormwater	-	-	1,010,772	994,867	**1,010,772**	**994,867**
	94,463	100,245	3,865,155	4,054,621	**3,959,619**	**4,154,867**

Land

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

To determine the fair value of Land assets as at 30 June 2019, Council engaged independent valuation firm Australis Asset Advisory Group Pty Ltd to establish indicative fair value movement indices, which have been applied on a per-suburb basis. This was achieved by examining and analysing a range of observable data over the measurement period, such as sales evidence and comparisons in the local market. The indices developed ranged from 1.25% to 7.35%, with an overall indicative fair value movement for the local government area of 4.95%. The comprehensive revaluation of land was last completed as at 30 June 2017.

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

Buildings

Fair value of buildings is measured using the market approach or, in the absence of an active market, the cost approach . Australis Asset Advisory Group Pty Ltd undertook an analysis of the market index movement, effective 30 June 2019 and arrived at an indicative replacement cost movement index of 2.98%. Buildings considered commercial in nature were also assessed and show indicative fair value movement of 3.50%. The indices were developed using a variety of cost movement sources such as Rawlinson's Construction Handbook, price indices produced by the Australian Bureau of Statistics (ABS) and AIQS Building Economist which were analysed by way of a weighted matrix. Buildings were last comprehensively revalued as at 30 June 2017. Management has elected not to apply indices to this financial class for the 2018/19 financial year.

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

Plant and Equipment

Plant and equipment assets are reported at historical cost for the year ended 30 June 2019.

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

Infrastructure Assets

Assets are recognised at component level. Componentisation is based around significance, asset behaviour and service delivery. Depreciation is systematically allocated over a defined useful life of each component recognised. Where asset condition can be assessed, it is used as a mechanism to determine whether and to what extent the service potential of infrastructure assets has been consumed during the reporting period and to confirm the pattern of consumption of future economic benefits. Consideration has been made for the typical asset life cycle and renewal treatments. Estimated useful lives are disclosed in Note 15 (f).

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

Transportation Network

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

Council engaged consulting firm Cardno (Qld) Pty Ltd to comprehensively revalue and develop unit rates for the transportation asset class as at 30 June 2019. Cardno reviewed Council's fixed asset register, current supplier arrangements, recent construction contracts, as well as industry and materials cost indicators. Where current condition is available, this information has been used to inform the fair value of the assets. In the absence of condition, age based assumptions were used.

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, are used as a basis for assessment of fair value, remaining service potential and remaining useful life. The comprehensive revaluation provided by Cardno (Qld) Pty Ltd took into account this condition information for the fair value assessment as at 30 June 2019.

The fair value of all transportation assets was reported at 30 June 2019 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, which last comprehensively revalued and developed unit rates for the stormwater network as at the year ended 30 June 2018. For 2019, Cardno conducted a cost movement analysis which provided that the overall stormwater network assets moved 2.06% 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 2018/19 financial year.

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The fair value of stormwater assets was reported at 30 June 2019 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 - Facilities

Fair values were last comprehensively revalued by Australis Asset Advisory Group Pty Ltd for the year ended 30 June 2017. For 2019, the market movement assessment indicated an indicative replacement cost movement index of 2.97% developed by Australis Asset Advisory Group Pty Ltd. Management has elected not to apply indices to this financial class for the 2018/19 financial year.

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

Other Infrastructure - Open Space and Waterways

Park, sport and open space infrastructure assets were last comprehensively revalued during the year ended 30 June 2015 by GHD - Consulting Engineers. Constructed waterways were valued using unit rates developed by Cardno (Qld) Pty Ltd for the year ended 30 June 2017. For 2019, the market index indicated an indicative replacement cost movement index of 2.97% developed by Australis Asset Advisory Group Pty Ltd. Management has elected not to apply indices to this financial class for the 2018/19 financial year.

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

Other Infrastructure - Waste

Waste landfill assets were last comprehensively revalued by Cardno (Qld) Pty Ltd as at 30 June 2017. The fair value of the landfill cells was calculated by reference to cell area and volume specifications, estimated labour and material inputs, services costs, and overhead allocations. For 30 June 2019, the current replacement cost has been determined by the reassessment of remaining volume of landfill cells and site closure predictions. Landfill airspace is assessed bi-annually.

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16 Intangible assets

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

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

Consolidated and Council	Note	Intangible $'000	Capital Works in Progress $'000	2019 Total $'000	2018 Total $'000
Opening net value as at 1 July		14,274	296	14,571	16,872
Reclassification to operating expense		-	-	-	(323)
Plus capital expenses		-	2,789	2,789	2,204
Transfers from capital works in progress		592	(592)	-	(629)
Less disposals		-	-	-	(59)
Less amortisation provided in period		(2,951)	-	(2,951)	(3,495)
Transfer (to)/from property, plant and equipment	15(f)	-	(33)	(33)	-
Book value as at 30 June		**11,915**	**2,461**	**14,376**	**14,571**
Range of estimated useful lives in years		2-25	-		

17 Trade and other payables

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

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.

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 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Current					
Creditors and accruals	64,276	66,220	63,582	61,175	
Annual leave	12,510	12,146	12,236	12,055	*
Other employee entitlements	791	695	791	695	
	77,576	**79,061**	**76,609**	**73,925**	

** Comparative figures have been restated. Refer to Note 33 for details.*

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18 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, 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.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Queensland Treasury Corporation (QTC)	25,670	22,111	25,670	22,111
Loans other	840	840	840	840
	26,510	22,951	26,510	22,951
Non-Current				
Queensland Treasury Corporation (QTC)	286,357	257,416	286,357	257,416
Loans other	94,620	8,615	94,620	8,615 *
	380,977	266,031	380,977	266,031

The market value of QTC borrowings represents the value of the debt if Council repaid the debt as at 30 June 2018. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts. The weighted average borrowing rate for the year was 4.596% (2018 5.096%).

Balance at the end of the year (Market Value)	354,234	306,750	354,234	306,750

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.

In July 2017 Council received approval from the Treasurer to enter into a borrowing arrangement with the Commonwealth Government. The loan is to assist with the Sunshine Coast Airport Expansion Project. The loan is unsecured and is repayable over time with full repayment to be made on receipt of the New Runway Construction Payment from Palisade Investment Partners Limited, estimated to be July 2022.

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 2019 or 2018 years.

19 Provisions

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

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For the year ended 30 June 2019

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

(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.

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) Per-and poly-fluoroalkyl substances (PFAS)
During construction of the new Sunshine Coast Airport runway, a new PFAS National Environmental Management Plan (NEMP) was adopted by the Heads of Environment Protection Authorities Australia and New Zealand. As a result, environmental issues related to the management of PFAS were identified by the Department of Environment and Science (Qld) (DES), and Council has incurred approximately $18 million in consultant reporting, site investigation, testing and mitigation works to address the issues to the satisfaction of DES.

These costs were required to be incurred in order to continue construction of the runway.
In addition, as further mitigation is expected to be required to allow the runway construction to continue, a provision of $20 million has been recognised at 30 June 2019 to allow for this.

(iv) 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 compensation amounts are yet to be determined.

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Long service leave	21,871	18,356	21,727	18,369
Landfill and quarry rehabilitation	6,163	1,655	6,163	1,655
Per- and poly-fluoroalkyl substances (PFAS) mitigation	17,881	-	17,881	-
	45,915	**20,011**	**45,771**	**20,024**
Non-current				
Long service leave	3,105	5,547	3,007	5,304
Landfill and quarry rehabilitation	37,097	31,669	37,097	31,669
Land resumption	3,895	-	3,895	-
Per- and poly-fluoroalkyl substances (PFAS) mitigation	2,260	-	2,260	-
	46,357	**37,216**	**46,259**	**36,973**

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Details of movements in provisions:

Long service leave	**Consolidated**		**Council**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	23,903	22,791	23,673	22,617
Long service leave entitlement arising	3,780	3,872	3,767	3,816
Long service entitlement paid	(2,462)	(2,677)	(2,462)	(2,677)
Long service entitlement extinguished	(245)	(83)	(245)	(83)
Balance at end of financial year	**24,976**	**23,903**	**24,733**	**23,673**

Landfill and Quarry rehabilitation		**Consolidated**		**Council**	
		2019	**2018**	**2019**	**2018**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year		33,323	30,265	33,323	30,265
Increase/(decrease) in provision due to effect of interest rate movement		6,837	-	6,837	-
Increase/(decrease) in provision due to unwinding of discount	7	42	451	42	451
Increase/(decrease) in provision due to change in estimate		4,713	3,806	4,713	3,806
Increase/(decrease) in provision as a result of actual expenditure incurred during the year		(1,655)	(1,198)	(1,655)	(1,198)
Balance at end of financial year		**43,260**	**33,323**	**43,260**	**33,323**

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 2018/19 an increase in the provision for the refuse landfill sites of $9.937 million (2018 $3.058 million) was recognised largely due to updated estimates to cost inputs and a decrease in interest rates of 1.24%

Landfill site	**Expected closure year**	**Post closure monitoring cost completion year**
Coolum	2010	2040
Buderim	2004	2034
Pierce Avenue	2031	2061
Nambour Landfill	2042	2072
Old Buderim Landfill	1989	2019

At 30 June 2019 the net present value of the projected costs over the next 30 years has been assessed as $31.498 million.

Capital Market Yields - Government 10 year bond rate for 2019 was 1.36% (2018 2.6%).

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Notes to the Financial Statements
For the year ended 30 June 2019

20 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Unearned revenue	7,806	9,075	7,741	8,992
Waste levy refund received in advance *	8,987	-	8,987	-
	16,793	**9,075**	**16,728**	**8,992**

* The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is for a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability as at 30 June 2019.

21 Asset revaluation surplus

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

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

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

	Note	Consolidated		Council	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Movements in the asset revaluation surplus were as follows:					
Restated balance at beginning of period					
Land		37,882	-	37,882	-
Buildings		38,052	33,760	38,052	33,760
Transportation network		508,550	508,550	508,550	508,550
Stormwater network		248,450	240,392	248,450	240,392
Other infrastructure		71,886	64,465	71,886	64,465
		904,820	**847,168**	**904,820**	**847,168**

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	Consolidated		Council	
	2019	2018	2019	2018
Net adjustment to non-current assets to reflect a change in current fair value:	$'000	$'000	$'000	$'000
Land	21,805	37,882	21,805	37,882
Buildings	(2)	4,292	(2)	4,292
Transportation network	(282,533)	-	(282,533)	-
Stormwater network	(918)	8,057	(918)	8,057
Other infrastructure	(99)	7,421	(99)	7,421
	(261,746)	**57,651**	**(261,746)**	**57,651**
Closing balance of the asset revaluation surplus is comprised of the following asset categories:				
Land	59,687	37,882	59,687	37,882
Buildings	38,050	38,052	38,050	38,052
Transportation network	226,017	508,550	226,017	508,550
Stormwater network	247,532	248,450	247,532	248,450
Other infrastructure	71,787	71,886	71,787	71,886
	643,073	**904,819**	**643,073**	**904,819**

22 Commitments for expenditure

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

Operating leases	Consolidated		Council	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Minimum lease payments in relation to non-cancellable operating leases are as follows:				
Within one year	7,040	6,085	7,025	5,993
One to five years	9,117	9,229	9,117	9,088
Greater than five years	547	677	547	677
	16,704	**15,992**	**16,689**	**15,758**

Council has entered into operating leases on certain motor vehicles and IT equipment, with lease terms between three and five years. The Council has the option, under some of its leases, to lease the assets for additional terms of three to five years.

During the year an amount of $8.079 million (2018: $7.723M) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

Contractual commitments

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

Within one year	222,289	191,313	215,697	174,518
One to five years	122,964	112,518	122,964	112,518
Greater than five years	24,941	11,442	24,941	11,442
	370,194	**315,273**	**363,602**	**298,478**

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Capital commitments

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Buildings and Facilities	707	656	707	656
Corporate Major Projects	-	785	-	785
Divisional Allocations	1,820	2,104	1,820	2,104
Environmental Assets	60	196	60	196
Fleet	-	544	-	544
Holiday Parks	454	137	454	137
Information Technology	2,079	868	2,079	868
Parks, Gardens and Reserves	-	1,437	-	1,437
Quarries	21	44	21	44
Stormwater	-	992	-	992
Strategic Land and Planning	1,427	6,532	1,427	6,532
Transportation	-	1,540	-	1,540
Waste	1,534	458	1,534	458
These expenditures are payable within one year	**8,102**	**16,293**	**8,102**	**16,293**

23 Contingencies

Contingent assets

On 9 February 2017 Council entered into an agreement with Palisade Investment Partners to effect, among other things, a 99 year lease of Sunshine Coast Airport land and building assets to Palisade, and for Council to construct a new runway. Under the 99 year lease, Council will be entitled to 5% of gross Airport revenue per annum. It is not possible to reliably estimate the amount of gross revenue from the Airport and therefore the amount to be received is a contingent asset at 30 June 2019.

The 99 year lease commenced 1st December 2017.

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Contingent liabilities

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

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 30 June 2019 there are 40 insurance claims under management with Council's public liability insurer, LGM (41 in 2018). The amount required assuming the claims proceed to settlement is:	262	294	262	294
At 30 June 2019 there are 20 compulsory land acquisition claims (4 in 2018) pending and are not expected to exceed:	13,953	710	13,953	710
At 30 June 2019 Council provided 3 standard commercial warranties to which there are no current known claims (3 in 2018). The maximum amount required in the event of breach is:	98,000	98,000	98,000	98,000
At 30 June 2019 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	-
Total Contingent liabilities	**132,215**	**99,004**	**132,215**	**99,004**

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

Local Government Workcare

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

Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is $2,734,835

Local Government Mutual

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

As at 30 June 2018 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

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24 Superannuation

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 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 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 not due until 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.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities.

Sunshine Coast Regional Council made 7.09% of the total contributions to the plan for the 2018/19 financial year.

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

		Consolidated		Council	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Superannuation contributions made to the Regional Defined Benefits Fund		1,883	1,868	1,883	1,868
Other superannuation contributions for employees		13,264	17,843	13,107	17,689
Total superannuation contributions paid by Council for employees:	5	15,147	19,712	14,990	19,557

Council expects to contribute $1.897 million to the Regional Defined Benefits Fund for 2019/20.

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25 Operating lease income

The minimum lease payments are payable as follows:

	Consolidated		Council	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Within one year	2,770	1,265	2,770	1,265
One to five years	4,788	3,630	4,788	3,630
Greater than five years	8,803	9,015	8,803	9,015
	16,362	13,910	16,362	13,910

Council has contingent assets related to Sunshine Coast Airport. This is included in Note 23.

Council received $1.050 million ($0.529 million in 2018) from the Sunshine Coast Airport and has forecast future revenue payments of $1.116 million in line with Council's 2018-19 Adopted Original Budget. The future payments may exceed or be less than these estimates, depending on future airport activities.

26 Controlled entities

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

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

SunCentral Maroochydore Pty Ltd is responsible for providing development management services for the Maroochydore City Centre project.

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

The following table shows revenue and expenses before consolidating eliminations.

	SunCentral Maroochydore Pty Ltd		Sunshine Coast Events Centre Pty Ltd		Sunshine Coast Airport Pty Ltd	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue	20,826	21,223	3,348	3,773	-	9,675
Expenses	(20,799)	(21,176)	(3,341)	(3,710)	-	(3,328)
Profit/Loss on Transfer	-	-	-	-	427	(6,347)
Surplus / (deficit)	**27**	**47**	**6**	**63**	**427**	**-**

27 Trust funds

Consolidated		Council	
2019 $'000	2018 $'000	2019 $'000	2018 $'000
8,867	7,927	8,442	7,557

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

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

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

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Council 2019 $'000	Council 2018 $'000	
Net result		**136,302**	**162,866**	**92,449**	**118,223**	*
Non-cash items						
Depreciation and amortisation	15,16	85,664	76,353	85,613	76,342	
Share of net profit of associate		(43,819)	(44,521)	-	-	
Contributed assets		(85,379)	(90,258)	(85,379)	(90,258)	
		(43,534)	(58,426)	234	(13,915)	
Investing activities						
Net loss on disposal of property, plant and equipment		9,589	22,971	9,589	22,971	
Impairment Expense		44,802	-	44,802	-	
Capital grants and contributions		(58,323)	(41,298)	(58,323)	(41,298)	*
		(3,932)	(18,327)	(3,932)	(18,327)	
Changes in operating assets and liabilities						
(Increase)/decrease in receivables		2,033	2,922	(460)	3,845	
(Increase)/decrease in inventory		(16,839)	(7,580)	(16,884)	(7,612)	
Increase/(decrease) in payables		(390)	17,253	2,257	16,062	
Increase/(decrease) other liabilities		7,735	(305)	7,735	(330)	*
Increase/(decrease) in other provisions		35,457	3,792	35,033	3,793	
		27,996	16,083	27,681	15,757	
Net cash inflow from operating activities		**116,831**	**102,196**	**116,431**	**101,738**	

** Comparative figures have been restated. Refer to Note 33 for details*

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29 Reconciliation of liabilities arising from finance activities

For the year ended June 2019	As at 30 June 2018	Cash flows	Non-cash changes (Fair Value)	As at 30 June 2019
	$'000	$'000	$'000	$'000
Consolidated				
Loans	288,983	118,216	289	407,488
	288,983	**118,216**	**289**	**407,488**
Council				
Loans	288,983	118,216	289	407,488
	288,983	**118,216**	**289**	**407,488**

For the year ended June 2018	As at 30 June 2017	Cash flows	Non-cash changes (Fair Value)	As at 30 June 2018
	$'000	$'000	$'000	$'000
Consolidated				
Loans	290,056	1,232	(2,305)	288,983
	290,056	**1,232**	**(2,305)**	**288,983**
Council				
Loans	290,056	1,232	(2,305)	288,983
	290,056	**1,232**	**(2,305)**	**288,983**

** Comparative figures have been restated for fair value adjustment. Refer to Note 33 for details.*

30 Financial instruments and financial risk management

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

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

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

Council'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.

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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.
The carrying amount of financial assets represents the maximum credit exposure.

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

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

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

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

		Consolidated		Council	
Financial assets	**Note**	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	10	265,691	292,118	263,421	290,202
Receivables - rates	11	4,418	3,982	4,418	3,982
Receivables - loan	11	9,254	9,004	9,254	9,004
Receivables - other	11	29,935	35,165	29,810	30,597
Loan to Unitywater - subordinate debt and working capital	11	434,393	434,393	434,393	434,393
Shares held in controlled entities	11	-	-	500	500
Other credit exposures					
Guarantees	23	2,735	2,829	2,735	2,829
Total financial assets		**743,691**	**774,662**	**741,797**	**768,678**

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. An analysis of outstanding receivables is shown in Note 11.

<u>Cash and cash equivalents</u>

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

<u>Other financial assets</u>

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.

<u>Trade and other receivables</u>

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

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

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

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

The council does not require collateral in respect of trade and other receivables. The council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

		Consolidated		Council	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Property Charges		10,805	9,507	10,805	9,507
Trade and other debtors		20,370	25,840	20,256	21,272
GST Recoverable		3,177	3,799	3,166	3,799
Loans to associates		434,393	434,393	434,893	434,893
Receivable other		9,254	9,004	9,254	9,004
Total	11	**478,000**	**482,544**	**478,375**	**478,476**

A summary of the Council's exposure to credit risk for trade receivables is as follows:

	Consolidated			Council		
	2019		2018	2019		2018
	Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired	
	$'000		$'000	$'000		$'000
Not past due	474,225	536	474,356	474,603	536	474,856
Past due 31-60 days	653	1	5,080	650	1	512
Past due 61-90 days	467	1	361	467	1	361
More than 90 days	2,655	3	3,230	2,655	3	3,230
Total gross carrying amount	**478,000**	**540**	**483,026**	**478,375**	**540**	**478,958**
Loss allowance	(154)	(385)	(482)	(154)	(385)	(482)
	477,846	**154**	**482,544**	**478,221**	**154**	**478,476**

Expected credit loss assessment as at 1 July 2018 and 30 June 2019

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.

The following table provides information about the exposure to credit risk and expected losses for trade receivables from individual customers as at 30 June 2019:

Consolidated - 2019	Weighted-average loss rate	Gross carrying rate	Loss allowance	Credit-impaired
	$'000	$'000	$'000	$'000
Not past due	< .01%	474,761	(536)	474,225
Past due 31-60 days	< .01%	654	(1)	653
Past due 61-90 days	< .01%	468	(1)	467
More than 90 days	< .01%	2,658	(3)	2,655
Total	**0.1105%**	**478,540**	**(540)**	**478,000**

Sunshine Coast. COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

Council - 2019	Weighted-average loss rate	Gross carrying rate	Loss allowance	Credit-impaired
	$'000	$'000	$'000	$'000
Not past due	< .01%	475,139	(536)	474,603
Past due 31-60 days	< .01%	651	(1)	650
Past due 61-90 days	< .01%	468	(1)	467
More than 90 days	< .01%	2,658	(3)	2,655
Total	**0.1105%**	**478,915**	**(540)**	**478,375**

Loss rates are based on actual credit loss experience over the past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables

The movement in the allowance for impairment in respect of trade receivable during the year was ($0.058) million.

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 labilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

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

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

Consolidated	Note	0 to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019					
Trade and other payables	17	64,276	-	-	64,276
Loans - Queensland Treasury Corporation (QTC)	18	34,787	140,515	222,516	397,817
Loan - Economic Development Queensland (EDQ)	18	840	3,360	6,720	10,920
Loan - Federal Government Concessional Loan	18	-	86,557	-	86,557
		99,902	**143,875**	**229,236**	**473,013**
2018					
Trade and other payables	17	66,647	-	-	66,647
Loans - Queensland Treasury Corporation (QTC)	18	31,163	125,418	212,595	369,175
Loan - Economic Development Queensland (EDQ)	18	840	3,360	7,560	11,760
		98,650	**128,778**	**220,155**	**447,582**

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

Liquidity risk (continued)

Council		**0 to 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
2019					
Trade and other payables	17	63,582	-	-	63,582
Loans - QTC	18	34,787	140,515	222,516	397,817
Loan - EDQ	18	840	3,360	6,720	10,920
Loan - Federal Government concessional Loan	18	-	86,557	-	86,557
		99,209	**230,431**	**229,236**	**472,320**
2018					
Trade and other payables	17	61,602	-	-	61,602
Loans - QTC	18	31,163	125,418	212,595	369,175
Loan - EDQ	18	840	3,360	7,560	11,760
		93,605	**128,778**	**220,155**	**442,538**

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.

Foreign exchange risk

Council is exposed to foreign exchange risk arising from $US Dollar transactions associated with the Sunshine Coast International Broadband Network project. Council incurs foreign currency risk on payments in $US dollars. Foreign exchange transaction exposure arises when Council makes payments in another currency.

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation, the Concessional Loan from the Federal Government, 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 does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect 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.

Notes to the Financial Statements
For the year ended 30 June 2019

Consolidated	Net carrying amount		Profit		Equity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets	-	-	-	-	-	-
Financial liabilities	(3,542)	(3,068)	(3,542)	(3,068)	(3,542)	(3,068)
Net total	**(3,542)**	**(3,068)**	**(3,542)**	**(3,068)**	**(3,542)**	**(3,068)**

Council	Net carrying amount		Profit		Equity	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets	-	-	-	-	-	-
Financial liabilities	(3,542)	(3,068)	(3,542)	(3,068)	(3,542)	(3,068)
Net total	**(3,542)**	**(3,068)**	**(3,542)**	**(3,068)**	**(3,542)**	**(3,068)**

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

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

* Principal reduction for corresponding external loan liabilities
* Conversion of current external loan liabilities from principal and interest repayments to payment of interest only with terms negotiated to match the review periods with Unitywater shareholder loans; or

* Undertake interest rate hedging through QTC to protect against market fluctuations in interest rates payable by Unitywater.

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

	Carrying Amount		Fair Value	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Queensland Treasury borrowings	312,028	279,528	354,234	306,750
Economic Development Queensland borrowings	10,920	11,760	8,904	9,455
Federal Government Concessional Loan borrowings	86,557	-	86,557	-
	409,504	**291,288**	**449,694**	**316,205**

Sunshine Coast. COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

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 18.

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.

31 National competition policy

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

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

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

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

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

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

(a) Significant business activities

The expenditure threshold amounts for identifying a "significant business activity" for the 2018/19 financial year are as follows:

a) for water and sewerage combined activities - $13.96 million (2018 $13.96 million)

b) for other activities - $9.70 million (2018 $9.35 million)

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

Sunshine Coast COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

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

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

a) Sunshine Coast Holiday Parks
b) Quarry Business Activity

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

	Quarry Business Activity	Sunshine Coast Holiday Parks	Waste and Resource Management
	2019 $'000	2019 $'000	2019 $'000
Revenue for services provided to Council	4,500	882	1,035
Revenue for services provided to external clients	2,020	16,681	63,970
Community Service Obligations (CSO's)	-	-	1,120
	6,520	17,563	66,126
Less : Expenditure	7,559	10,591	59,441
Surplus / (deficit)	**(1,040)**	**6,972**	**6,685**

Description of CSO's provided to business activities:	**Net cost 2019**
Waste and resource	**$'000**
Waste collection and disposal charges for charitable organisations	1,120

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

32 Related party disclosures

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

(a) Transactions with Subsidiaries

SunCentral Maroochydore Pty Ltd (wholly owned entity)

Details	2019 $'000	2018 $'000
Revenue		
Receipt of contributions and sponsorship from subsidiary	50	30
Expenditure		
Purchase of materials and services from subsidiary	-	(70)
Annual development management fee paid to subsidiary	(1,934)	(1,897)
Maroochydore City Centre development costs paid to the subsidiary in accordance with established Development Service Contracts	(16,707)	(18,281)
Total	**(18,591)**	**(20,218)**

SunCentral Maroochydore Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2019/20 financial year. No SunCentral employees are related parties of Council.

Sunshine Coast Events Centre Pty Ltd (wholly owned entity)

Details	2019 $'000	2018 $'000
Revenue		
Recoupment of operating costs paid on behalf of the subsidiary	263	264
Recoupment of internal service costs from the subsidiary	87	87
Expenditure		
Operational funding paid to subsidiary	(1,495)	(1,464)
Purchase of materials and services from subsidiary	(27)	(76)
Maintenance and equipment provided to subsidiary	(132)	(211)
Payment of operating costs on behalf of the subsidiary	(237)	(286)
Provision of internal services to the subsidiary	(434)	(509)
Capital expenditure incurred on the property	(7,070)	(778)
Total	**(9,045)**	**(2,971)**

Sunshine Coast Events Centre Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2019/20 financial year. Cr Dwyer, a member of Council's Key Management Personnel, was appointed to the Board of The Sunshine Coast Events Centre Pty Ltd by a resolution of the Sunshine Coast Council in June 2008. No Events Centre employees are related parties of Council.

Sunshine Coast Council

Notes to the Financial Statements

For the year ended 30 June 2019

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

Details	2019 $'000	2018 $'000
Revenue		
Recoupment of employee costs, water and sewerage charges	-	1,310
Expenditure		
Payment of employee costs, water and sewerage charges	-	(1,324)
Total	-	**(15)**

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

This entity is no longer a related party in 2018/19.

(b) Transactions with associates
Unitywater (associate)

Details	2019 $'000	2018 $'000
Revenue		
Interest paid to Council	21,807	22,502
Recoupment Unitywater expenses incurred by Council	458	553
Participation returns (dividends) paid to Council	13,121	268
Tax equivalent paid to Council	14,911	27,069
Sale of land to Unitywater	-	715
Expenditure		
Water and sewerage charges for Council properties	(4,703)	(5,416)
Purchase of materials and services	(394)	(1,931)
Total	**45,200**	**43,760**

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

(c) Transactions with Key Management Personnel

Key Management Personnel include the Mayor, Councillors, Council's Chief Executive Officer and members of the Board of Management. Compensation paid to Key Management Personnel comprises:-

Details	2019 $'000	2018 $'000
Short term employee benefits	(4,781)	(4,317)
Post employment benefits	(544)	(448)
Long term employee benefits	(68)	(52)
Termination benefits	(107)	(658)
Total	**(5,499)**	**(5,475)**

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.

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

(d) Transactions with other related parties

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

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

	Details	2019 $'000	2018 $'000
(i)	Employee expenses for close family members of key management personnel	(146)	(152)
(ii)	Purchase of materials and services from entities controlled by close family members of key management personnel	(1,938)	(1,178)
(iii)	Development applications submitted by related parties of key management personnel	14	
	Total	**(2,070)**	**(1,331)**

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform. Council employs 1,859 (1,803 in 2017/18) staff of which only 2 (2 in 2017/18) are close family members of key management personnel.

(ii) Sunshine Coast Council purchased civil construction services from Civlec Pty Ltd trading as Trafflec, a company controlled by a close family member of Cr Dwyer. This contract was awarded under Council's Procurement Policy, all purchases were at arm's length and in the normal course of Council operations. This amount represents 0.59% i.e. less than 1% (0.58% in 2017/18) of the total amount spent on capital expenditure. Practical completion and defects liabilities guarantees totalling $75,000 ($47,148 in 2017/18) were provided to Council by the company.

(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 development applications during the year, 4 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		2019 $'000	2018 $'000
(i)	Not past due		52	12
	Past due	more than 90 days	15	17
	Total Owing		**67**	**29**

(i) Outstanding balance (not past due) relates to works performed by Council for Unitywater ($12,650) and event sponsorship from SunCentral Maroochydore Pty Ltd ($40,000).

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	2019 $'000	2018 $'000
Loan to associate (Unitywater) - subordinated debt	434,393	434,393

Refer to Note 30 Financial instruments and financial risk management.

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

(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.

33 Restated balances

30 June 2019

(a) During 2018/19, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2018. As a result, for 2017/18 Council had understated its contributed revenue and property, plant and equipment by $29.258 million and applicable depreciation by $0.31 million. To correct the impact of the prior period error, Council has adjusted the 2017/18 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

(b) During 2018/19, Council identified a prior period error that related to the fair value of the loan from Economic Development Queensland. This loan is a interest free loan and the fair value of this loan has been adjusted by $2.305 million.

(c) During 2018/19 Council undertook a data reconciliation process between Council's financial assets register and Geo Spatial Information (GIS) system. As a result, there were various amendments required to be actioned in both systems. The outcome created over 70 thousand new asset records (including componentisation of existing assets) in the financial asset register, and a net increase to the fair value of the asset base of $367.7 million, with an applicable depreciation expense of $4 million. To correct the impact of the prior period error, Council has adjusted the 2017/18 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

(d) During 2018/19 Council identified a prior period error that related to non-policy developer contributions which has resulted in Council understating their revenue by $7.857 million in 2017/18 and $10.321 million in the years prior to 2017/18. These amounts had been recorded as liabilities. To correct the impact of the prior period error, Council has adjusted the 2017/18 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity and notes where indicated.

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

Financial statement line item / balance affected

	Council	Note	Actual 2018 $'000	Adjustments 2018 $'000	Restated Actual 2018 $'000
	Statement of Comprehensive Income (Extract)				
	Recurrent revenue				
	Grants, subsidies, contributions, donations and other				
(b)	Government grants and subsidies state	4(a)	2,594	2,305	4,898
	Total recurrent grants, subsidies, contributions, donations and other		**14,122**	**2,305**	**16,427**
	Non-recurrent revenue				
(d)	Developer contributions	4(b)	31,570	7,857	39,427
(a)	Infrastructure from developers at fair value	4(b)	61,000	29,258	90,258
(a,d)	**Total non-recurrent revenue**		**99,993**	**37,115**	**137,108**
(a,b,c)	**Total income**		**522,183**	**39,137**	**561,319**

Sunshine Coast COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

	Council	Note	Actual 2018 $'000	Adjustments 2018 $'000	Restated 2018 $'000
	Statement of Comprehensive Income (Extract) cont.				
(a,b,c,d)	**Net result (deficiency)**		78,376	39,847	118,223
	Total comprehensive income for the year		136,027	39,847	175,874

	Council	Note	Actual 2018 $'000	Adjustments 2018 $'000	Restated Actual 2018 $'000
	Statement of Financial Position (Extract)				
	Non current assets				
(a,c)	Property, plant and equipment	15	3,937,744	396,884	4,334,628
	Total non-current assets		**5,048,084**	**396,884**	**5,444,968**
	Total assets		**5,396,858**	**396,884**	**5,793,742**
	Current liabilities				
(d)	Other Liabilities	20	**27,170**	**(18,178)**	**8,992**
	Non-current liabilities				
(b)	Borrowings	18	**268,336**	**(2,305)**	**266,031**
	Community equity				
(a,b,c)	Retained surplus/(deficiency)		4,042,151	417,876	4,460,027
	Total community equity		**4,946,970**	**417,876**	**5,364,846**

	Council	Note	Actual 2018 $'000	Adjustments 2018 $'000	Restated Actual 2018 $'000
	Statement of changes in equity (Extract)				
	Retained surplus				
	Balance as at the 1 July 2017		3,963,775	378,029	3,963,775
(a,b,c,d)	Net result		78,377	39,847	118,223
	Balance as at 30 June 2018		**4,042,151**	**417,876**	**4,460,027**

34 Events after the reporting date

Council has refinanced the Commonwealth Government Concessional Loan for the Sunshine Coast Airport Runway Project with borrowings from Queensland Treasury Corporation (QTC). The payout occurred on 10 September 2019 and resulted in a reduction in the borrowing rate.

Council entered into a beneficial enterprise with Sunshine Coast Arts Foundation Ltd during 2018/19 to:

develop a regional culture of philanthropy by encouraging donations, gifts, bequests, endowments etc. for the public charitable purposes of promoting and advancing arts and culture (all art forms) across the Sunshine Coast; and

provide financial and in-kind support via a range of mechanisms to organisations, groups and individuals with the aim of achieving arts outcomes that benefit this region.

Council paid $106,343 to this company in July 2019 as part of a three year funding agreement.

Sunshine Coast COUNCIL

Financial statements
For the year ended 30 June 2019

MANAGEMENT CERTIFICATE

For the year ended 30 June 2019

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

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

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

(ii) The general purpose financial statements, as set out on pages 1 to 57, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entities' transactions for the financial year and financial position at the end of the year.

....	....
Cr Mark Jamieson Mayor	Michael Whittaker Chief Executive Officer
Sunshine Coast Regional Council	Sunshine Coast Regional Council
Dated 14 October 2019	Dated 14 October 2019

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the council's and group's financial position as at 30 June 2019, 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 2019, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Queensland Audit Office
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Key audit matters

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

Infrastructure assets valuation using current replacement cost ($3,169 million)

Refer to note 15 in the financial report.

Key audit matter	How my audit addressed the key audit matter
Council's infrastructure assets (transportation network, stormwater network and other infrastructure) were measured at fair value at balance date using the current replacement cost method that comprises: • Gross replacement cost, less • Accumulated depreciation Council values the gross replacement cost of its infrastructure assets with reference to the unit rate at which it could construct a substitute asset of comparable quality in the normal course of business. Council engaged a valuation specialist to comprehensively revalue and develop unit cost rates for the transportation network as at 30 June 2019. For other infrastructure assets, the council engaged qualified consultants to provide cost movement indices to derive unit rates. Unit rates require significant judgement for determining the: • parts of assets (components) that are replaced at different times in the asset life-cycle, or that have materially different replacement costs due to physical location attributes • average project dimensions • tasks (and applicable costs) required for replacing components, excluding those that result in duplication or are ineligible for inclusion in the cost of an asset • on-costed labour charges • directly attributable service, materials, and plant costs (inputs) for each applicable task • indices for measuring subsequent changes in unit rates.	My procedures included, but were not limited to: • 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: – inquiring with council management and the independent valuer to identify if there had been any significant changes to construction costs resulting from factors such as changed building codes, environmental or safety regulations, construction methods and technological advances. – corroborating council's representations against recent construction activity and asset management plans. – assessing the competence, capabilities and objectivity of valuers who have provided information on unit rates and unit cost movements – obtaining an understanding of the methodologies used and assessing their design, integrity and appropriateness with reference to common industry practice – considering evidence of labour rate changes and supplier rate changes – comparison with other publicly available indices and other available information on the movement of key cost drivers. • Assessing the reasonableness of infrastructure assets useful lives by: ○ 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.

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

Other information

Other information comprises the information included in Sunshine Coast Regional Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

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

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Auditor's responsibilities for the audit of the financial report

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

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

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

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

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Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

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

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

14 October 2019

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Sunshine Coast. COUNCIL

Current Year Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2019

Measures of Financial Sustainability

Council's performance at 30 June 2019 against key financial ratios and targets:

		Consolidated 2019	Council 2019
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	11.7%	3.0%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	72.5%	72.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	55.6%	61.5%

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 2019.

Certificate of Accuracy
For the year ended 30 June 2019

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: 14 October 2019

Michael Whittaker
Chief Executive Officer
Sunshine Coast Regional Council

Dated: 14 October 2019

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Sunshine Coast Regional Council (the council) for the year ended 30 June 2019 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 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Sunshine Coast Regional Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

Queensland Audit Office
Better public services

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.

14 October 2019

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Sunshine Coast COUNCIL

Long-Term Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2019

Measures of Council	Measure	Target	Actuals at 30 June 2019	Forward Estimates								
				30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	3.0%	6.2%	7.6%	7.9%	7.2%	7.8%	5.9%	6.2%	8.5%	9.1%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	72.5%	63.5%	68.3%	66.0%	69.5%	68.9%	70.7%	70.6%	70.9%	71.7%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	61.5%	94.4%	103.8%	44.9%	45.6%	40.5%	39.1%	36.1%	29.0%	25.5%

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 and Operational Plan, with the Operating Surplus Ratio remaining within accepted target ranges.

The Asset Sustainability Ratio (reflecting the ongoing development of Council's asset management plans) is in line with Council's targeted ratio, considering Council's relatively young asset base. Council has determined an Asset Sustainability Ratio range of between 60% and 70% for 2019/20.

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.

The Net Financial Liabilities Ratio (reflecting the extent to which the net financial liabilities of Council can be repaid from operating revenue) exceeds the target range in years 2019, 2020 and 2021. The 10 year capital program requires $245 million in borrowings for Sunshine Coast Airport Runway Project. Council's debt funding of the Sunshine Coast Airport Runway Project will require the Net Financial Liabilities Ratio target to be exceeded in years 2019, 2020 and 2021.

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

Certificate of Accuracy
For the year ended 30 June 2019

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: 14 October 2019

Michael Whittaker
Chief Executive Officer
Sunshine Coast Regional Council

Dated: 14 October 2019