



Your ref:
Our ref: 2020-4139
Charles Strickland 3149 6032

OFFICIAL

13 October 2020

Mr W Bunker
Acting Chief Executive Officer
Sunshine Coast Regional Council
PO Box 72
SUNSHINE COAST MAIL CENTRE QLD 4560

Dear Mr Bunker

General Purpose Financial Statements—2019–20
Current Year Financial Sustainability Statement—2019–20

- 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

Charles Strickland
Director

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

Enc.

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Sunshine Coast Regional Council

FINANCIAL STATEMENTS

For the year ended 30 June 2020

Table of contents

Financial Statements

Statements of Comprehensive Income
Statements of Financial Position
Statements of Changes in Equity
Statements of Cash Flows

Notes to the financial statements

1	Summary of significant accounting policies
2	Analysis of results by function
3	Revenue analysis
4	Grants, subsidies, contributions, donations and other
5	Interest and other income
6	Employee benefits
7	Materials and services
8	Finance costs
9	Contributions to controlled entities
10	Non-recurrent expenses
11	Cash and cash equivalents
12	Trade and other receivables
13	Inventories
14	Investment in associates
15	Other assets
16	Property, plant and equipment
17	Intangible assets
18	Trade and other payables
19	Leases
20	Contract balances
21	Borrowings
22	Provisions
23	Other liabilities
24	Asset revaluation surplus
25	Commitments for expenditure
26	Contingencies
27	Superannuation
28	Controlled entities
29	Trust funds
30	Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities
31	Reconciliation of liabilities arising from finance activities
32	Financial instruments and financial risk management
33	National competition policy
34	Related party disclosures
35	Restated balances
36	Changes in accounting policy
37	Events after the reporting date

Management Certificate

Independent Auditor's Report (General Purpose Financial Statements)

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial
Sustainability Statement
Independent Auditor's Report (Current Year Financial
Sustainability Statement)

Unaudited Long Term Financial Sustainability Statement

Certificate of Accuracy - for the Long Term Financial
Sustainability Statement



Statements of Comprehensive Income
 For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income					
Revenue					
Recurrent revenue					
Net rates, levies and utility charges	3(a)	311,897	292,824	311,897	293,144
Fees and charges	3(b)	54,737	57,386	53,274	55,824
Sales from contracts and recoverable works	3(c)	14,065	19,877	14,138	19,877
Grants, subsidies, contributions, donations and other	4(a)	16,711	15,194	15,613	15,194
		397,410	385,281	394,922	384,039
Rental income	19	3,003	3,331	2,798	3,132
Share of tax equivalents of associate	3(d)	16,409	14,911	16,409	14,911
Dividend Income	3(e)	-	-	12,321	13,121
Interest and other income	5	26,556	29,862	26,490	29,770
Profit from equity accounted investment	14	53,787	56,940	-	-
		99,755	105,044	58,018	60,934
Total recurrent revenue		497,165	490,324	452,940	444,973
Non-recurrent revenue					
Grants, subsidies, contributions, donations and other	4(b)	138,992	147,589	138,992	147,590
Sales from contracts - Sunshine Coast Airport Expansion Project	4(c)	186	-	186	-
Total non-recurrent revenue		139,178	147,589	139,178	147,590
Total income		636,343	637,913	592,118	592,563
Expenses					
Recurrent expenses					
Employee benefits	6	(153,356)	(146,317)	(151,197)	(144,328)
Materials and services	7	(196,880)	(190,586)	(194,849)	(189,658)
Finance costs	8	(10,549)	(10,613)	(10,523)	(10,588)
Contributions to controlled entities	9	-	-	(1,527)	(1,495)
Depreciation and amortisation					
Property, plant and equipment	16	(88,838)	(82,630)	(88,780)	(82,579)
Intangible assets	17	(2,957)	(2,951)	(2,957)	(2,951)
Right of use assets	19	(4,575)	-	(4,575)	-
Total recurrent expenses		(457,156)	(433,097)	(454,408)	(431,599)
Non-recurrent expenses					
Loss on disposal property, plant and equipment, intangibles and other	10	(10,631)	(9,589)	(10,631)	(9,589)
Movements in landfill and quarry provisions	22	(4,897)	(9,895)	(4,897)	(9,895)
Assets transferred to third parties	10	(567)	(259)	(567)	(259)
Impairment Expense	13	-	(44,802)	-	(44,802)
Total non-recurrent expenses		(16,095)	(64,545)	(16,095)	(64,545)
Total expenses		(473,251)	(497,642)	(470,503)	(496,144)
Net result (deficiency)		163,093	140,271	121,615	96,419
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus	24	(4,368)	(242,226)	(4,368)	(242,226)
Total other comprehensive income		(4,368)	(242,226)	(4,368)	(242,226)
Total comprehensive income for the year		158,724	(101,955)	117,247	(145,807)

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

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

Page 2 of 59



Statements of Financial Position

As at 30 June 2020

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Assets					
Current assets					
Cash and cash equivalents	11	199,675	265,691	197,632	263,421
Trade and other receivables	12	17,779	14,126	17,220	14,001
Inventories	13	13,878	13,976	13,850	13,949
Other assets	15	22,817	27,871	22,782	27,825
Total current assets		254,149	321,664	251,485	319,196
Non-current assets					
Trade and other receivables	12	703,855	460,708	704,355	461,208
Inventories	13	36,568	179,503	36,568	179,503
Investment in associates	14	802,139	760,673	538,213	538,213
Property, plant and equipment	16	4,523,399	4,326,666	4,523,368	4,326,583
Intangible assets	17	12,774	14,177	12,774	14,177
Right of use assets	19	10,087	-	10,021	-
Total non-current assets		6,088,822	5,741,726	5,825,299	5,519,683
Total assets		6,342,971	6,063,390	6,076,784	5,838,880
Liabilities					
Current liabilities					
Trade and other payables	18	64,050	77,576	62,976	76,609
Lease liabilities	19	4,405	-	4,339	-
Contract liabilities	20	11,257	-	11,257	-
Borrowings	21	31,316	26,510	31,316	26,510
Provisions	22	30,072	45,915	29,917	45,771
Other liabilities	23	11,154	21,593	11,124	21,527
Total current liabilities		152,253	171,594	150,928	170,417
Non-current liabilities					
Lease liabilities	19	6,077	-	6,077	-
Borrowings	21	519,735	380,977	519,735	380,977
Provisions	22	50,717	46,357	50,567	46,259
Total non-current liabilities		576,529	427,334	576,379	427,236
Total liabilities		728,782	598,928	727,308	597,653
Net community assets		5,614,188	5,464,462	5,349,477	5,241,227
Community equity					
Asset revaluation surplus	24	658,224	662,593	658,224	662,593
Retained surplus		4,955,963	4,801,869	4,691,253	4,578,635
Total community equity		5,614,188	5,464,462	5,349,477	5,241,227

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

* Comparative figures have been restated with the exception of those mentioned above. Refer to Note 35 for details.



Statements of Changes in Equity
 For the year ended 30 June 2020

<u>Consolidated</u>		Asset revaluation surplus	Retained surplus	Total
	Notes	\$'000	\$'000	\$'000
For the year ended 30 June 2020				
Balance as at 1 July 2019		682,113	4,801,869	5,483,981
Adjustment on initial application of AASB 15 / 1058		-	(8,557)	(8,557)
Adjustment on initial application of AASB 16		-	(441)	(441)
Restated balance at 1 July 2019		682,113	4,792,871	5,474,983
Increase (decrease) in asset revaluation surplus	24	(4,368)	-	(4,368)
Net result		-	163,093	163,093
Balance as at 30 June 2020		677,744	4,955,963	5,633,708
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		-	(75)	(75)
Restated balance at 1 July 2018		904,819	4,639,333	5,544,151
Prior year adjustments	35	19,520	22,263	41,783
Increase (decrease) in asset revaluation surplus	24	(242,226)	-	(242,226)
Net result		-	140,271	140,271
Balance as at 30 June 2019		682,113	4,801,869	5,483,981

Statements of Changes in Equity
 For the year ended 30 June 2020

<u>Council</u>		Asset revaluation surplus	Retained surplus	Total
	Notes	\$'000	\$'000	\$'000
For the year ended 30 June 2020				
Balance as at 1 July 2019		662,593	4,578,635	5,241,228
Adjustment on initial application of AASB 15 / AASB 1058		-	(8,557)	(8,557)
Adjustment on initial application of AASB 16		-	(441)	(441)
Restated balance at 1 July 2019		662,593	4,569,638	5,232,231
Increase (decrease) in asset revaluation surplus	24	(4,368)	-	(4,368)
Net result		-	121,615	121,615
Balance as at 30 June 2020		658,224	4,691,253	5,349,477
For the year ended 30 June 2019				
Balance as at 1 July 2018		904,819	4,460,028	5,364,847
Adjustment on initial application of AASB 9		-	(75)	(75)
Restated balance at 1 July 2018		904,819	4,459,953	5,364,772
Prior year adjustments	35	19,520	22,263	41,783
Increase (decrease) in asset revaluation surplus	24	(261,746)	-	(261,746)
Net result		-	96,419	96,419
Balance as at 30 June 2019		662,593	4,578,635	5,241,227

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.



Statements of Cash Flows
 For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash flows from operating activities					
Receipts from customers		401,156	398,575	384,116	371,518
Payments to suppliers and employees		(403,373)	(344,244)	(386,075)	(317,494)
Interest and dividends received		55,258	57,894	55,220	57,802
Recurrent grants and contributions		15,613	15,194	15,613	15,194
Borrowing costs	8	(8,399)	(8,877)	(8,399)	(8,877)
Finance costs	8	(2,124)	(1,710)	(2,124)	(1,710)
Net cash inflow (outflow) from operating activities	30	58,131	116,831	58,351	116,431
Cash flows from investing activities					
Payments for property, plant and equipment		(311,040)	(327,782)	(311,033)	(327,735)
Net movement in loans and advances		5,079	(250)	5,079	(250)
Proceeds from sale of property, plant and equipment		1,922	8,234	1,922	8,234
Contract receivable (Sunshine Coast Airport Expansion Project)		(105,298)	-	(105,298)	-
Proceeds from sale of inventory (Sunshine Coast Airport Expansion Project)		104,914	-	104,914	-
Grants, subsidies, contributions and donations		41,375	58,323	41,375	58,323
Net cash inflow (outflow) from investing activities		(263,049)	(261,475)	(263,042)	(261,428)
Cash flows from financing activities					
Proceeds from borrowings		164,609	136,746	164,609	136,746
Repayment of borrowings		(21,046)	(18,529)	(21,046)	(18,529)
Repayments made on leases (principal only)		(4,662)	-	(4,662)	-
Net cash inflow (outflow) from financing activities		138,901	118,216	138,901	118,216
Net increase (decrease) in cash and cash equivalents held		(66,017)	(26,427)	(65,790)	(26,781)
Cash and cash equivalents at beginning of financial year		265,691	292,118	263,421	290,202
Cash and cash equivalents at end of the financial year		199,674	265,691	197,631	263,421

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.



Notes to Financial Statements
For the year ended 30 June 2020

1 Summary of Significant Accounting Policies

1.01 Basis of Preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.02 Recurrent/Non-recurrent Classification

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

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

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

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

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

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

1.03 Basis of Consolidation

Subsidiaries

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

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



Notes to Financial Statements
For the year ended 30 June 2020

Transactions between Council and both Sunshine Coast Events Centre Pty Ltd and SunCentral Maroochydore Pty Ltd have been eliminated when preparing consolidated accounts. In addition, the accounting policies of these controlled entities have been adjusted on consolidation where necessary, to ensure the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Sunshine Coast Arts Foundation Ltd is not consolidated into Council's financial statements due to its size and nature. Information on controlled entities is included in Note 28.

1.04 Constitution

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

1.05 New and Revised Accounting Standards Adopted During the Year

Council adopted all standards which became mandatory effective for annual reporting periods beginning on 1 July 2019. The standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases. Refer to the change in accounting policy note 36 for transition disclosures for *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not For Profit Entities* and *AASB 16 Leases*.

1.06 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020. These standards have not been adopted by Council and will be included in the financial statements on their effective date if their application is material to Council.

1.07 Estimates and Judgements

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

Valuation and depreciation of property, plant and equipment - Note 16
Impairment of property, plant and equipment - Note 16
Provisions - Note 22
Contingencies - Note 26
Financial instruments and financial risk management - Note 32

1.08 Rounding and Comparatives

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard. Restated balances are detailed in Note 35 and indicated with an asterisk (*) throughout the financial statements.



Notes to Financial Statements
For the year ended 30 June 2020

1.09 Disclosure of Other Comprehensive Income for Equity Accounting Investments

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

1.10 Volunteer Services

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

1.11 Taxation

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



Notes to Financial Statements

For the year ended 30 June 2020

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 Office of the CEO and Office of the Mayor provide support and advice to the Mayor, Councillors, Chief Executive Officer (CEO), Executive Leadership Team and the wider organisation.

The two Offices work together to lead and coordinate the organisation to achieve delivery of the Sunshine Coast Council's vision, mission, long term strategic directions and Corporate Plan goals, providing a one-council approach to statutory and corporate decision making.

The Offices are responsible for Communications, Corporate Governance, Strategy and Coordination, Legal Services, Audit & Assurance, Major Projects and Strategic Property.

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 & Gardens, Transport & 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 operation of the organisation. The Group is responsible for Business & Innovation, Digital & Information Services, Finance, People & Culture and Property Management.

Customer Engagement and Planning Services Group

The Customer Engagement and Planning Services Group is focussed on delivering positive customer experiences to business and the community, particularly land use planning, development, waste and regulatory enforcement. The Group is responsible for Customer Response, Development Services, Strategic Planning and Waste & 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 & Library, Community Planning & Development, Economic Development and Sports & Community Venues.



Notes to Financial Statements

For the year ended 30 June 2020

Liveability and Natural Assets Group

The Liveability and Natural Assets Group is focussed on taking a balanced approach to planning and delivery of sustainable environmental and infrastructure development to meet the needs of the growing population and maintain the liveability of the region. The Group is responsible for Design & Placemaking Services, Environmental & 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.



Notes to financial statements
 For the year ended 30 June 2020
 2 (b) Analysis of results by function

	Gross program income		Elimination of inter-function transactions	Total income	Gross program expense		Elimination of inter-function transactions	Total expenses	Net result		Assets
	Recurrent	Non-recurrent			Recurrent	Non-recurrent			from recurrent operations	Net result	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Built Infrastructure	34,046	31,532	(22,054)	43,524	(9,158)	39,141	(185,858)	(164,707)	(142,334)	3,639,277	
Customer Engagement and Planning Services	116,424	-	(16,751)	98,673	(4,952)	27,074	(110,350)	(6,724)	(11,677)	121,070	
Economic and Community Development	24,208	1,539	(407)	25,340	(613)	14,039	(81,536)	(57,122)	(56,196)	210,469	
Livability and Natural Assets	21,140	7,049	(9,243)	18,946	(60)	18,557	(42,865)	(30,908)	(23,920)	105,675	
Region Making Projects	146	387	-	533	-	363	(3,667)	(3,521)	(3,134)	424,681	
Business Performance	363,483	98,672	(57,104)	405,051	(1,311)	15,527	(36,040)	271,650	368,011	1,575,388	
Mayor and CEO Offices	15,427	-	(15,376)	51	-	6,233	(10,186)	(10,135)	(10,135)	193	
Total Council	573,875	139,178	(120,934)	592,118	(16,095)	120,934	(470,503)	(1,468)	121,615	6,076,784	
Controlled Entities Net of Eliminations	44,225	-	-	44,225	(2,748)	-	(2,748)	41,477	41,477	266,187	
Total Consolidated	618,100	139,178	(120,934)	636,343	(16,095)	120,934	(473,251)	40,009	163,093	6,342,971	

For the year ended 30 June 2019
 2 (b) Analysis of results by function

	Gross program income		Elimination of inter-function transactions	Total income	Gross program expense		Elimination of inter-function transactions	Total expenses	Net result		Assets
	Recurrent	Non-recurrent			Recurrent	Non-recurrent			from recurrent operations	Net result	
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Built Infrastructure	32,022	44,824	(23,041)	53,806	(3,649)	36,267	(172,371)	(159,740)	(118,565)	3,525,890	
Customer Engagement and Planning Services	110,370	49	(20,124)	90,295	(11,509)	29,756	(105,433)	(3,679)	(15,138)	110,377	
Economic and Community Development	27,097	2,611	488	30,206	357	16,682	(66,305)	(59,069)	(56,099)	192,044	
Livability and Natural Assets	20,581	91,210	(8,437)	103,354	-	16,676	(39,242)	(27,098)	64,112	97,549	
Region Making Projects	7,238	2,500	(1)	9,737	(45,229)	401	(49,195)	3,270	(39,459)	294,792	
Business Performance	355,688	6,393	(57,670)	304,411	(4,515)	15,350	(32,431)	270,102	271,980	1,616,629	
Mayor and CEO Offices	14,601	-	(13,847)	753	-	7,382	(11,166)	(10,413)	(10,413)	1,598	
Total Council	567,596	147,689	(122,623)	592,562	(64,545)	122,514	(496,144)	13,374	96,418	5,838,880	
Controlled Entities Net of Eliminations	45,351	-	-	45,351	(1,499)	-	(1,499)	43,852	43,852	224,511	
Total Consolidated	612,947	147,689	(122,623)	637,913	(64,545)	122,514	(497,642)	57,227	140,271	6,063,390	



Notes to the Financial Statements
 For the year ended 30 June 2020

3 Revenue analysis

		Consolidated 2020		Council 2020	
		AASB 15 2020 \$'000	AASB 1058 2020 \$'000	AASB 15 2020 \$'000	AASB 1058 2020 \$'000
Revenue recognised at a point in time					
Net Rates, levies and charges (excluding those related to services)	3(a)	-	311,897	-	311,897
Fees and charges (excluding infringements)	3(b)	29,412	22,740	27,949	22,740
Infringements	3(b)	-	2,585	-	2,585
Sales from contracts and recoverable works	3(c)	13,992	-	14,066	-
Grants, subsidies, donations and contributions	4 (a,b)	498	144,732	498	143,633
		43,903	481,954	42,513	480,855
Revenue recognised over time					
Sales from contracts and recoverable works	3(c)	72	-	72	-
Grants and subsidies	4 (a,b)	9,071	1,403	9,071	1,403
Sales from contracts Sunshine Coast Airport Expansion Project	4(c)	186	-	186	-
		9,329	1,403	9,329	1,403
Total Revenue		53,232	483,356	51,842	482,258

(a) Net rates and utility charges

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: Rates are recognised as revenues at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
General rates	244,690	233,462	244,690	233,782
Waste management	60,748	53,353	60,748	53,353
Tourism and special levies	8,766	8,356	8,766	8,356
Environment levy	10,890	10,372	10,890	10,372
Rural fire levy	514	476	514	476
Valuation fees	94	81	94	81
	325,700	306,100	325,700	306,420
Total rates and utility charge revenue				
Less: discounts	(9,656)	(9,213)	(9,656)	(9,213)
Less: pensioner remissions	(3,167)	(3,105)	(3,167)	(3,105)
Less: rebates	(980)	(957)	(980)	(957)
	(13,803)	(13,276)	(13,803)	(13,276)
Net rates and utility charges	311,897	292,824	311,897	293,144

(b) Fees and charges

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided.

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

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

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



Notes to the Financial Statements
For the year ended 30 June 2020

2019 accounting policy: Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Application fees (development)	8,348	9,800	8,348	9,800
Holiday parks	14,259	16,523	14,259	16,523
Cemetery fees	1,028	1,050	1,028	1,050
Parking fees	546	585	546	585
Refuse tip fees	6,973	6,191	6,973	6,191
Registration fees	1,313	1,224	1,313	1,224
Search fees	1,067	1,031	1,067	1,031
Waste service charges	409	415	409	415
Change of ownership fees	869	855	869	855
Fines and penalties	2,498	2,640	2,498	2,640
Venue hire	959	1,208	959	1,208
Development services	9,262	7,923	9,262	7,923
Permits and licences	1,216	1,499	1,216	1,499
Other fees and charges	5,991	6,444	4,528	4,882
	54,737	57,386	53,274	55,824

(c) Sales from contracts and recoverable works

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Recoverable works	1,429	1,484	1,429	1,484
Sale of recyclables	2,603	2,856	2,603	2,856
Solar farm	2,881	1,951	2,881	1,951
Other revenue	7,151	13,586	7,225	13,586
	14,065	19,877	14,138	19,877

(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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	16,409	14,911	16,409	14,911

(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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
			12,321	13,121

4 Grants, subsidies, contribution, donations and other

2020 Accounting policy:

Grant income under AASB 15

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

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



Notes to the Financial Statements
For the year ended 30 June 2020

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

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised, then income is recognised for any remaining asset value at the time the asset is received.

Capital (non-recurrent) grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

2019 accounting policy: Grants, subsidies, contributions and donations that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of the funds. Granted assets are normally recognised upon the earlier of their receipt or prior notification that the grant has been secured.

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

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

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Government grants and subsidies commonwealth	11,847	12,212	11,847	12,212
Government grants and subsidies state	2,087	2,689	2,087	2,689
Grants and subsidies other	1,406	19	1,406	19
Contributions and donations	1,372	274	273	274
	16,711	15,194	15,613	15,194

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

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Government grants and subsidies commonwealth	4,837	2,005	4,837	2,005
Government grants and subsidies state	5,636	14,492	5,636	14,492
Developer contributions	31,204	42,328	31,204	42,328
Infrastructure from developers at fair value	97,617	89,266	97,617	89,266
	139,295	148,090	139,295	148,090
Less: discount allowed developer contributions	(303)	(502)	(303)	(502)
	138,992	147,589	138,992	147,589



Notes to the Financial Statements
 For the year ended 30 June 2020

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
(c) Sunshine Coast Airport Expansion Project	186	-	186	-

Construction of the new runway at Sunshine Coast Airport consists of two performance obligations as follows:-

1. The bulk of the runway which was complete, ready for use and handed over to Palisade Investment Partners Ltd on 14 June 2020, and
2. Full practical completion scheduled for December 2020.

Under AASB 15, associated contract revenue is recognised over time as construction works are completed, with final payment of \$290 million due on 30 June 2022. The associated contract receivable is recognised in Note 12.

The net contract revenue of \$0.186 million for 2019/20 consists of \$104.914 million discounted contract revenue less \$104.728 million construction costs.

5 Interest and other income

Interest received

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

Interest received from associate

Interest received from cash and term deposits

Interest from overdue rates and utility charges

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest received from term deposits is accrued over the term of the investment.	21,112	21,807	21,112	21,807
Interest received from associate	4,930	7,392	4,864	7,300
Interest received from cash and term deposits	514	663	514	663
Interest from overdue rates and utility charges	26,556	29,862	26,490	29,770

6 Employee benefits

Note	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Total wages and salaries	133,588	126,737	131,795	125,043
Councillors' remuneration *	1,855	1,806	1,855	1,806
Annual, sick and long service leave entitlements	15,496	15,510	15,403	15,373
Superannuation	15,812	15,147	15,632	14,990
	166,751	159,200	164,684	157,211
Other employee related expenses	3,661	3,439	3,568	3,439
	170,412	162,640	168,252	160,651
Less: Capitalised employee expenses	(17,050)	(16,322)	(17,050)	(16,322)
Less: Employee expenses transferred to third parties	(6)	-	(6)	-
	153,356	146,317	151,197	144,328

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

Total Council full time equivalent employees at the reporting date:

	Consolidated		Council	
	2020	2019	2020	2019
Elected Members	11	11	11	11
Staff	1,722	1,713	1,692	1,679
Total full time equivalent employees	1,733	1,724	1,703	1,690



Notes to the Financial Statements
 For the year ended 30 June 2020

7 Materials and services

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Advertising	1,493	1,894	1,493	1,894
Audit of annual financial statements by the Auditor General of Queensland	277	305	271	278
Consultancy fees	7,497	6,796	7,497	6,796
Commissions paid	2,361	2,838	2,361	2,838
Contract services parks and gardens	16,381	15,696	16,381	15,696
Contract services waste collection	34,525	30,248	34,525	30,248
Contract services environmental operations	11,495	10,039	11,495	10,039
Contract services property management	7,037	7,577	7,037	7,577
Contract services sport and community venues	7,749	7,517	7,749	7,517
Contract services civil asset management	7,836	7,184	7,836	7,184
Contract services transport infrastructure management	1,679	2,445	1,679	2,445
Contract services art, heritage and libraries	2,907	2,494	2,907	2,494
Contract services other	18,128	17,278	18,012	16,988
Donations	4,415	6,188	4,415	6,188
Electricity	6,972	7,732	6,825	7,625
Entertainment and hospitality	399	637	399	637
Equipment < \$5,000	948	1,370	948	1,370
Fuel	2,701	2,865	2,701	2,865
Grants to community organisations	8,136	8,164	8,136	8,164
Insurance	2,538	2,273	2,538	2,273
Legal fees	2,784	1,857	2,784	1,857
Library resources	1,360	1,429	1,360	1,429
Materials road base	1,866	2,299	1,866	2,299
Operating leases - short-term and low value	4,577	8,079	4,577	8,079
Plant and equipment hire	5,988	5,838	5,988	5,838
Security services	1,393	1,421	1,393	1,421
Software and maintenance	7,886	6,791	7,886	6,791
Telecommunications	3,773	3,960	3,736	3,931
Water and sewerage charges	5,120	5,097	5,120	5,097
All other materials and services	22,616	17,421	20,894	16,946
	202,838	195,731	200,808	194,803
Less: Capitalised expenses	(5,397)	(4,885)	(5,397)	(4,885)
Less: Internal costs transferred to third parties	(561)	(259)	(561)	(259)
	196,880	190,586	194,849	189,658

8 Finance costs

Note	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Borrowing costs charged by the Queensland Treasury Corporation and other loan providers *	8,399	8,877	8,399	8,877
Bank charges and credit card fees	1,020	1,006	994	981
Interest on leases	19	228	228	-
Unwinding of discount on provisions	22	356	356	331
Impairment of receivables		374	374	351
Other finance costs		173	173	48
		10,549	10,523	10,588

* 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 \$4.811 million capitalised against the Maroochydore City Centre project (\$4.507 million in 2019), \$1.864 million capitalised against the Sunshine Coast Airport Expansion project (\$0.690 million in 2019), \$0.170 million capitalised against the Brisbane Road Carpark development (\$0.060 million in 2019) and \$0.158 million capitalised against the Sunshine Coast International Broadband Network (\$0.003 million in 2019).



Notes to the Financial Statements
 For the year ended 30 June 2020

9 Contributions to controlled entities	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contributions to controlled entities	-	-	1,527	1,495
10 Non-recurrent expenses				
Gain/(Loss) on disposal of non-current assets	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Proceeds from the sale of plant and equipment	176	1,275	176	1,275
Less carrying amount sold	(193)	(642)	(193)	(642)
Less carrying amount disposed and written-off	(29)	(48)	(29)	(48)
	(46)	585	(46)	585
Proceeds from the sale of property and land	1,746	6,531	1,746	6,531
Less carrying amount sold	(1,745)	(10,954)	(1,745)	(10,954)
Less carrying amount disposed and written-off	(9,124)	(662)	(9,124)	(662)
	(9,123)	(5,086)	(9,123)	(5,086)
Replacement of roads, stormwater and other infrastructure				
Less carrying amount:				
Replaced and renewed	(1,419)	(1,952)	(1,419)	(1,952)
Disposed and written-off	(4)	(3,136)	(4)	(3,136)
	(1,422)	(5,088)	(1,422)	(5,088)
Replacement of intangibles				
Less carrying amount:				
Replaced and renewed	-	-	-	-
Disposed and written-off	(40)	-	(40)	-
	(40)	-	(40)	-
Loss on disposal of property, plant and equipment, and intangibles	(10,631)	(9,589)	(10,631)	(9,589)
Assets transferred to third parties *				
Employee expenses transferred to third parties	(6)	-	(6)	-
Internal costs transferred to third parties	(561)	(259)	(561)	(259)
	(567)	(259)	(567)	(259)

*Included in 2020 is \$0.567 million (\$0.259 million in 2019) related to work performed on public utility provider assets.



Notes to the Financial Statements
 For the year ended 30 June 2020

11 Cash and cash equivalents

For the purposes of the Statements of Financial Position and the Statements of Cash Flows, cash assets include cash on hand as well as deposits at call with financial institutions. It also includes 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 \$50 million (2019 \$70 million) in short-term investments. Short-term investments have an original maturity date of not greater than three months from the balance date of the financial statements.

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Total cash and equivalents	199,675	265,691	197,632	263,421

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Externally imposed expenditure restrictions	159,973	153,407	159,973	153,407
Internally imposed expenditure restrictions	10,035	21,120	10,035	21,120
Total unspent restricted cash	170,008	174,526	170,008	174,526

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Constrained works	131,317	117,721	131,317	117,721
General	5,214	16,027	5,214	16,027
Levy funded	22,532	18,091	22,532	18,091
Special purpose	911	1,568	911	1,568
Total unspent restricted cash	159,973	153,407	159,973	153,407

Internally imposed expenditure restrictions at the reporting date:

	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
General	10,035	21,120	10,035	21,120
Total unspent restricted cash	10,035	21,120	10,035	21,120

12 Trade and other receivables

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

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

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

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

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



Notes to the Financial Statements
 For the year ended 30 June 2020

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Rates and utility charges	5,982	4,418	5,982	4,418
Infringements	2,114	2,156	2,114	2,156
Infrastructure charges	3,923	4,231	3,923	4,231
Trade debtors	6,401	3,857	5,842	3,732
Other debtors	7	4	7	4
Less allowance for impairment	(648)	(540)	(648)	(540)
	17,779	14,126	17,220	14,001

Interest is charged on outstanding rates at 9.83% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Opening balance at 1 July	540	557	540	557
Impairment debts written off during the year	(264)	(368)	(264)	(368)
Additional impairments recognised	373	351	373	351
Closing balance at 30 June	648	540	648	540

Non-Current

Trade debtors	17,060	17,060	17,060	17,060
Contract Receivables	248,226	-	248,226	-
Loans receivable	4,176	9,254	4,176	9,254
Loan to associate - subordinated debt	14 434,393	434,393	434,393	434,393
Shares in controlled entities	-	-	500	500
	703,855	460,708	704,355	461,208

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.

The contract receivable relates to the Sunshine Coast Airport Expansion Project and consists of \$143.189 million contract revenue relating to 2018/19 as well as \$104.914 million contract revenue and \$0.123 million interest revenue for 2019/20. Further details are in Note 4(c). Payment is due on 30 June 2022.

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 non-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 2020 was 4.86% (2019 5.02%).

13 Inventories

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

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

Profit arising upon sale of land is recognised as revenue in the Statements of Comprehensive Income on settlement.



Notes to the Financial Statements
 For the year ended 30 June 2020

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Equipment, stores and quarries *	1,259	1,357	1,231	1,330
Land being developed for resale **				
Work in Progress	-	-	-	-
Finished Goods	12,619	12,619	12,619	12,619
Closing current inventories at 30 June	13,878	13,976	13,850	13,949

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'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	-	187,737
Accumulated Impairment	-	(44,802)	-	(44,802)
Closing non-current inventories at 30 June	36,568	179,503	36,568	179,503

** 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, and no completed sales during the 2019/20 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) runway construction commenced in 2017 and became operational on 14 June 2020. Practical completion of the entire project is due in December 2020. Inventory costs include the costs of development and other directly attributable costs such as project overheads and borrowing costs.

As the bulk of the runway was handed over to Palisade Investment Partners Ltd on 14 June 2020, inventory costs have been derecognised at 30 June 2020 and contract revenue recognised. Costs associated with the balance of the project will continue to be captured in Work in Progress (Inventory), until completion (estimated December 2020) at which time they'll be derecognised and contract revenue recognised.

14 Investment in associates

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



Notes to the Financial Statements
For the year ended 30 June 2020

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% (2019 37.51%)

(1) Background

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

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

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

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

(2) Contractual Agreements

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

(3) Returns to Council

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

Council agreed to extend the loans with a Participating Local Government (PLG) Loan Agreement between Sunshine Coast Regional Council and the Authority duly executed on 21 June 2013. This new loan was subject to an annual reset rate (to be determined by Queensland Treasury Corporation in accordance with the credit rating assigned for the Authority) with quarterly interest-only payments for twenty years to 30 June 2033. The rate to 30 June 2020 is 4.86% (2019: 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Movement in carrying amount				
Investment	760,673	716,854	538,213	538,213
Share of profits after tax and before dividends	53,787	56,940	-	-
Dividends received/receivable	(12,321)	(13,121)	-	-
Carrying amount at the end of the financial year	802,139	760,673	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 2020 financial statements is detailed below.



Notes to the Financial Statements
 For the year ended 30 June 2020

Extract from the Authority's Statement of Comprehensive Income	2020 \$'000	2019 \$'000
Total revenues	730,046	730,579
Ordinary expenses	(525,320)	(513,918)
Profit before income tax equivalent	204,726	216,661
Income tax equivalent expense	(61,332)	(64,861)
Total profit (after tax)	143,394	151,800
Share of Profit of Associate	53,787	56,940
Total assets	4,052,307	3,902,190
Total liabilities	(1,896,095)	(1,865,263)
Net assets	2,156,212	2,036,927

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

15 Other assets

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Current</u>				
Prepayments	4,108	4,201	4,074	4,201
GST recoverable *	4,108	3,166	4,108	3,166
Accrued revenue	14,601	20,504	14,600	20,458
	22,817	27,871	22,782	27,825

* GST recoverable previously under Receivables



Notes to the Financial Statements
 For the year ended 30 June 2020

16 (a) Property, plant and equipment

Council	Note	Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Transportation Network \$'000	Stormwater Network \$'000	Other Infrastructure \$'000	Capital Works in Progress \$'000	Total \$'000
For the year ended 30 June 2020									
		592,485	337,140	55,866	2,488,967	1,305,001	580,277	446,966	5,808,803
		-	(124,391)	(30,959)	(692,430)	(286,860)	(190,777)	-	(1,285,435)
		592,485	212,749	25,009	1,806,538	1,038,121	399,500	446,966	4,523,368
For the year ended 30 June 2019									
		578,545	315,990	56,888	2,438,948	1,263,718	579,459	286,895	5,520,144
		-	(106,698)	(28,720)	(637,706)	(254,463)	(165,974)	-	(1,193,561)
		578,545	209,292	27,868	1,801,242	1,009,255	413,486	286,895	4,326,583
Basis of measurement									
		578,545	209,292	27,868	1,801,242	1,009,255	413,486	286,895	4,326,583
		-	-	-	-	-	-	-	-
		-	-	82	-	-	-	-	82
		-	-	-	-	-	-	-	(701)
		18,296	5,396	1,893	12,292	2,534	3,094	204,657	218,295
		19,004	-	-	42,657	33,982	1,973	(42,676)	-
		(8,506)	(2,363)	(222)	(1,311)	(9)	(103)	-	(17,396)
		-	(10,395)	(3,665)	(45,960)	(11,979)	(16,561)	-	(88,780)
		(17,117)	12,749	-	-	-	-	-	(4,368)
		-	(1,920)	52	(2,364)	4,337	(2,379)	90	33
		592,485	212,749	25,009	1,806,538	1,038,121	399,500	446,966	4,523,368
		unlimited	2-100	2-60	5-unlimited	5-135	5-unlimited	-	-

*Adjustment to opening balance includes assets discovered through 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.



Notes to Financial Statements
For the Year Ended 30 June 2020

16 Property, Plant and Equipment

(b) 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.

(c) Measurement

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

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

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

(d) 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 even consumption of service potential of 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 Council or the unexpired period of the lease, whichever is the shorter.



Notes to Financial Statements
For the Year Ended 30 June 2020

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

(e) 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.

(f) 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 appropriate. 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.



Notes to Financial Statements
For the Year Ended 30 June 2020

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

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



Notes to Financial Statements
 For the Year Ended 30 June 2020

16 (g) Fair value measurement

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

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

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

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

The table below represents Council's assets measured and recognised at fair value at 30 June 2020. All fair value measurements are recurrent and categorised as either level 2 or level 3 in the fair value hierarchy.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

Property, Plant and Equipment Fair Value Hierarchy

	Level 2		Level 3		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Land	102,277	89,920	490,209	488,626	592,485	578,544
Buildings	2,760	1,410	209,989	207,882	212,749	209,292
Other Infrastructure	-	-	399,500	413,486	399,500	413,486
Transportation	-	-	1,806,538	1,801,242	1,806,538	1,801,242
Stormwater	-	-	1,038,121	1,009,255	1,038,121	1,009,255
	105,037	91,330	3,944,356	3,920,491	4,049,393	4,011,819

Land

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

Land fair values were determined by independent valuation firm Australis Asset Advisory Group Pty Ltd, effective 30 June 2020.

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

Buildings

The fair value of buildings were determined by Australis Asset Advisory Group Pty Ltd, effective 30 June 2020. The fair value of buildings is either measured using the market approach where there are level 2 inputs available or, in the absence of an active market, the cost approach where predominantly level 3 unobservable inputs are utilised. As many Council buildings are specialised and unique in characteristics, the most significant inputs into the valuation approach were the cost of reproduction for modern equivalent assets.



**Notes to Financial Statements
For the Year Ended 30 June 2020**

Where Council buildings are specialised in nature, and there is no active market for the assets, the fair values are derived by an external valuer with reference to relevant recent construction information and adjusted to reflect the consumed or expired service potential of the building asset. Where there is evidence of an active market for assets in the building asset class, fair value has been derived on a market basis from the observed sales prices of comparable properties, after adjusting for differences in key attributes such as property size. Condition was assessed as part of the comprehensive valuation, which took into account both physical and holistic factors such as functionality, capability, utilisation and obsolescence. Building assets are valued, and useful lives applied, at component level in accordance with International Infrastructure Management Manual (IIMM) standards and renewal cycles.

Plant and Equipment

Plant and equipment assets are reported at historical cost for the year ended 30 June 2020.

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

Infrastructure Assets

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

Based on Council's consideration of the valuer's reports, where interim valuations have been undertaken, management judges the movement shown in these indices to be the most appropriate measure for reflecting changes in fair value of assets of this nature and elects whether or not to apply these indices.

Transportation Network

Council engaged consulting firm Cardno (Qld) Pty Ltd, which last comprehensively revalued and developed unit rates for the transportation asset class as at 30 June 2019. For 2020, Cardno conducted a cost movement analysis which provided that the overall transportation network assets moved between 0.1% and 0.7% during the current period. Various data sources were assessed including current market rates of key materials and labour, and the implicit price deflator and price indices produced by the Australian Bureau of Statistics (ABS). Additionally, Council's engineering staff assessed the cost movements provided to ensure consistency. Where current condition is available, this information has been applied as an indicator of physical obsolescence to inform the fair value of the assets. In the absence of condition, age based assumptions are used. Management has elected not to apply indices to this financial class for the 2019/20 financial year.

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

Condition assessments of bridges are undertaken cyclically which includes a visual inspection to determine condition. Where changes to condition are recorded, in accordance with International Infrastructure Management Manual (IIMM) standards, these are used as a basis for assessment of fair value, remaining service potential and remaining useful life. Where updated condition information is available, this has been taken into account for the fair value assessment as at 30 June 2020. Bridge assets are held at structural component levels, and depreciated accordingly over the componentised useful lives.

The fair value of all transportation assets was reported at 30 June 2020 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*.



**Notes to Financial Statements
For the Year Ended 30 June 2020**

Stormwater Network

Council engaged consulting firm Cardno (Qld) Pty Ltd, who last comprehensively revalued and developed unit rates for the stormwater network as at the year ended 30 June 2018. For 2020, Cardno conducted a cost movement analysis which concluded that only the stormwater pits moved by 3.5% and culverts moved by 1% across the stormwater network during the current period. Various data sources were assessed including the implicit price deflator and price indices produced by the Australian Bureau of Statistics (ABS). Additionally, Cardno's stormwater engineer assessed the cost movements on the material items within the stormwater asset class for the current period which were consistent with the published indices. Management has elected not to apply indices to this financial class for the 2019/20 financial year.

The fair value of stormwater assets was reported at 30 June 2020 to reflect changes in actual costs of construction for Council and changes in remaining service potential, in accordance with the principles of the cost approach embodied in AASB 13 *Fair Value Measurement*.

Other Infrastructure

The fair values of Other Infrastructure assets last comprehensively revalued by GHD Pty Ltd as at 30 June 2015. For 2020, Australis Asset Advisory Group Pty Ltd conducted detailed cost movement analysis for the varying assets across the financial class and determined that open space infrastructure moved by 1.6% and other infrastructure assets moved by 0.54%. Management has elected not to apply indices to this financial class for the 2019/20 financial year.

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

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

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

COVID-19 had no impact on the fair value assessment for 2019/20.



Notes to the Financial Statements
For the year ended 30 June 2020

17 Intangible assets

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

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

Consolidated and Council	Note	Intangible	Capital	2020	Restated
		\$'000	Works in Progress \$'000	Total \$'000	2019 Total \$'000
Opening net value as at 1 July		11,915	2,262	14,177	14,571
Adjustment to opening balance	35(c)	-	-	-	(200)
Plus capital expenses		-	1,684	1,684	2,789
Transfers from capital works in progress		866	866	-	-
Less disposals		(40)	-	(40)	-
Less amortisation provided in period		(2,957)	-	(2,957)	(2,951)
Transfer (to)/from property, plant and equipment	16(a)	-	(90)	(90)	(33)
Book value as at 30 June		9,785	2,989	12,774	14,177
Range of estimated useful lives in years		2-25	-		

18 Trade and other payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms, however since COVID-19, Council reduced all creditors to 7 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.

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

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Current</u>				
Creditors and accruals	48,422	64,276	47,648	63,582
Annual leave	14,512	12,510	14,301	12,236
Other employee entitlements	1,116	791	1,027	791
	64,050	77,576	62,976	76,609



**Notes to the Financial Statements
 For the year ended 30 June 2020**

19 Leases

Council as a lessee

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

Terms and conditions of leases

Buildings

Council has the following leases:

Two office buildings due to expire in 2021. One of the leases includes a fixed annual increase and the other is subject to annual CPI increases.

A project office for the Sunshine Coast Airport Expansion Project. This office will be vacated at the conclusion of the project in December 2020.

Two long term leases from the Department of Natural Resources for Sunshine Coast Holiday Parks.

Vehicles

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

Equipment

Council leases a number of items of equipment, a number of the assets are considered low value and are therefore not subject to lease accounting. The more significant items have lease terms ranging from 3 - 4 years and fixed payments for the term of the leases.

Right of use assets

Consolidated and Council

	Vehicles	Buildings	Equipment	Total
	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000
Adoption of AASB 16 at 1 July 2019	9,144	2,937	129	12,210
Additions to right-of-use assets	2,359	98	10	2,466
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	24	24
Amortisation	(3,611)	(931)	(71)	(4,613)
Balance at 30 June 2020	7,892	2,103	92	10,087



Notes to the Financial Statements
For the year ended 30 June 2020

Lease liabilities

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

Consolidated and Council	< 1 year	1-5 years	> 5 years	Total	Total per statement of financial position
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
	4,499	6,023	295	10,817	10,482

Liabilities not recognised - extension options

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

Amounts included in the statement of comprehensive income related to leases

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

Consolidated and Council	2020 \$'000
Interest on lease liabilities	228
Variable lease payments based on usage not included in the measurement of lease liabilities	779
Amortisation of right of use assets	4,613
Expenses relating to short-term and low value leases	3,797
	9,417
Total cash outflows for leases	9,467

Leases at significantly below market value - Concessionary / peppercorn leases

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

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

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

Council as a lessor

Operating leases

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases and relate to the investment property in the statement of financial position.

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Investment property income (excluding variable lease payments not dependent on an index or rate)	2,798	3,331	2,798	3,132
Direct operating expenses from property that generated rental income	(1,216)	-	(1,216)	-



Notes to the Financial Statements
For the year ended 30 June 2020

The minimum lease receipts are as follows:

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not later than one year	2,578	2,770	2,578	2,770
One to five years	4,293	4,788	4,293	4,788
Later than five years	5,699	8,803	5,699	8,803
	<u>12,570</u>	<u>16,362</u>	<u>12,570</u>	<u>16,362</u>

Council has contingent assets related to Sunshine Coast Airport. This is included in Note 26.

Council received \$0.884 million (\$1.050 million in 2019) from the Sunshine Coast Airport, being \$0.232 million less than original forecast due to the impacts of COVID-19 on the airline industry. Future revenue payments of \$0.648 million are included in Council's 2020/21 Adopted Original Budget. The future payments may exceed or be less than these estimates, depending on future airport activities.

20 Contract Balances

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable. Council has no contract assets as at 30 June 2020.

When an amount of consideration is received from a customer/fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Contract liabilities	Consolidated	Council
	2020 \$'000	2020 \$'000
Development Assessment Fees paid in advance	2,371	2,371
Deposits received in advance for performance obligations in grants	4,158	4,158
Deposits received in advance of services provided (e.g. caravan park fees, events)	4,729	4,729
	<u>11,257</u>	<u>11,257</u>

All councils contract liabilities are current liabilities

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

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



Notes to the Financial Statements
For the year ended 30 June 2020

21 Borrowings

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

For SCAEP borrowings from QTC, full repayment is due on or before 1 July 2023. Borrowings will be repaid on receipt of the New Runway Construction Payment of \$290 million due from Palisade Investment Partners Limited on the later of 30 June 2022 and practical completion of the new runway.

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Current</u>				
Queensland Treasury Corporation (QTC)	30,476	25,670	30,476	25,670
Loans other	840	840	840	840
	31,316	26,510	31,316	26,510
<u>Non-Current</u>				
Queensland Treasury Corporation (QTC)	512,240	286,357	512,240	286,357
Loans other	7,495	94,620	7,495	94,620
	519,735	380,977	519,735	380,977

The market value of QTC borrowings represents the value of the debt if Council repaid the debt as at 30 June 2020. 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 3.002% (2019 4.596%).

Balance at the end of the year (Market Value)	591,728	354,234	591,728	354,234
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Loans Other

In June 2017, Council received a \$12.6 million interest free loan from Economic Development Queensland as part of the Catalyst Infrastructure Program. The loan is to assist with the cost of infrastructure to promote and progress development in the Maroochydore City Centre Priority Development Area, specifically roadworks and three priority intersections to access Stages 1 and 2 of the city centre. The loan is unsecured and is repayable over time with full repayment to be made on by June 2032.

In May 2017 Council received approval from the Treasurer to enter into a borrowing arrangement with the Commonwealth Government to assist with the Sunshine Coast Airport Expansion Project. The loan was repaid in September 2019 with borrowings from Queensland Treasury Corporation.

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 2020 or 2019 years.



Notes to the Financial Statements
For the year ended 30 June 2020

22 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 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 in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

(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 \$36.864 million to date 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 \$3.320 million has been recognised at 30 June 2020 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 outstanding compensation amounts are yet to be determined.



Notes to the Financial Statements
 For the year ended 30 June 2020

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Long service leave	22,295	21,871	22,140	21,727
Landfill and quarry rehabilitation	4,457	6,163	4,457	6,163
Per- and poly-fluoroalkyl substances (PFAS) mitigation	3,320	17,881	3,320	17,881
	30,071	45,915	29,917	45,771
Non-current				
Long service leave	3,613	3,105	3,463	3,007
Landfill and quarry rehabilitation	43,785	37,097	43,785	37,097
Land resumption	3,320	3,895	3,320	3,895
Per- and poly-fluoroalkyl substances (PFAS) mitigation	-	2,260	-	2,260
	50,717	46,357	50,568	46,259

Details of movements in provisions:

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Long service leave				
Balance at beginning of financial year	24,976	23,903	24,733	23,673
Long service leave entitlement arising	3,225	3,780	3,163	3,767
Long service entitlement paid	(2,289)	(2,462)	(2,289)	(2,462)
Long service entitlement extinguished	(5)	(245)	(5)	(245)
Balance at end of financial year	25,908	24,976	25,603	24,733

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Landfill and Quarry rehabilitation					
Balance at beginning of financial year		43,260	33,323	43,260	33,323
Increase/(decrease) in provision due to effect of interest rate movement		3,463	6,837	3,463	6,837
Increase/(decrease) in provision due to unwinding of discount	8	84	42	84	42
Increase/(decrease) in provision due to change in estimate		3,340	4,713	3,340	4,713
Increase/(decrease) in provision as a result of actual expenditure incurred during the year		(1,905)	(1,655)	(1,905)	(1,655)
Balance at end of financial year		48,241	43,260	48,241	43,260

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 2019/20 an increase in the provision for the refuse landfill sites of \$4.981 million (2019 \$9.937 million) was recognised largely due to updated estimates to cost inputs and a decrease in interest rates from 1.36% to 0.87%.

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



Notes to the Financial Statements
For the year ended 30 June 2020

At 30 June 2020 the net present value of the projected costs over the next 30 years has been assessed as \$37.966 million (2019 \$31.498 million).

Capital Market Yields - Government 10 year bond rate for 2020 was 0.87% (2019 1.36%).

23 Other liabilities

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

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Current</u>				
Unearned revenue *	1,035	12,606	1,005	12,541
Prepaid rates **	10,119	-	10,119	-
Waste levy refund received in advance	-	8,987	-	8,987
	<u>11,154</u>	<u>21,593</u>	<u>11,124</u>	<u>21,527</u>

* Unearned revenue for caravan parks and other contract deposits now in note 20 Contract balances.

** Prepaid rates previously recognised as revenue on receipt of payment.

24 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 Statements 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.



Notes to the Financial Statements
 For the year ended 30 June 2020

Movements in the asset revaluation surplus were as follows:

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Restated balance at beginning of period					
Land		59,862	37,882	59,862	37,882
Buildings		38,865	38,052	38,865	38,052
Transportation network		259,090	520,539	259,090	520,539
Stormwater network		247,896	248,437	247,896	248,437
Other infrastructure		56,879	59,910	56,879	59,910
		662,593	904,819	662,593	904,819
Net adjustment to non-current assets to reflect a change in current fair value:					
Land		(17,117)	21,805	(17,117)	21,805
Buildings		12,749	(2)	12,749	(2)
Transportation network	35 (e) (f)	-	(263,013)	-	(263,013)
Stormwater network		-	(918)	-	(918)
Other infrastructure		-	(99)	-	(99)
		(4,368)	(242,226)	(4,368)	(242,226)
Closing balance of the asset revaluation surplus is comprised of the following asset categories:					
Land		42,745	59,687	42,745	59,687
Buildings		51,614	38,050	51,614	38,050
Transportation network		259,090	257,525	259,090	257,525
Stormwater network		247,896	247,519	247,896	247,519
Other infrastructure		56,879	59,811	56,879	59,811
		658,224	662,593	658,224	662,593

25 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 (2019 only)

Minimum lease payments in relation to non-cancellable operating leases are as follows:

	Consolidated		Council	
	2019 \$'000		2019 \$'000	
Within one year	7,025		7,025	
One to five years	9,132		9,117	
Greater than five years	547		547	
	16,704		16,689	

2019: 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.

Refer to note 19 for information on leases for 2020.

Contractual commitments

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Within one year	56,395	88,647	56,395	82,055
One to five years	110,970	96,500	110,970	96,500
Greater than five years	20,472	24,941	20,472	24,941
	187,838	210,088	187,838	203,496



Notes to the Financial Statements
For the year ended 30 June 2020

Capital commitments	Consolidated		Council	
	2020	2019	2020	2019
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:	\$'000	\$'000	\$'000	\$'000
Aerodromes	-	5	-	5
Buildings and Facilities	5,544	4,086	5,544	4,086
Coast and Canals	594	247	594	247
Corporate Major Projects	13,687	4,497	13,687	4,497
**Minor Works Program	700	603	700	603
Environmental Assets	279	356	279	356
Fleet	1,256	-	1,256	-
Holiday Parks	575	443	575	443
Information Technology	710	1,934	710	1,934
Parks, Gardens and Reserves	4,378	7,280	4,378	7,280
Quarries	131	57	131	57
Stormwater	1,096	842	1,096	842
Strategic Land and Planning	1,981	2,234	1,981	2,234
Sunshine Coast Airport Expansion Project	26,464	105,056	26,464	105,056
Transportation	24,057	20,470	24,057	20,470
Waste	4,717	11,996	4,717	11,996
	86,171	160,106	86,171	160,106

These expenditures are payable within one year
 * Comparative figures have been restated. Refer to Note 35 for details.
 **Previously "Divisional Allocations"

26 Contingencies

Contingent assets

On 9 February 2017 Council entered into an agreement with Palisade Investment Partners to effect, among other things, a 99 year lease of Sunshine Coast Airport land and building assets to Palisade, and for Council to construct a new runway. Under the 99 year lease, which commenced on 1 December 2017, Council is entitled to 5% of gross Airport revenue per annum. It is not possible to reliably estimate the amount of gross revenue from the Airport and therefore the amount to be received is a contingent asset at 30 June 2020.



Notes to the Financial Statements
For the year ended 30 June 2020

The classification of this item as a contingent asset has been further validated by the uncertainty of returns due to the impacts of COVID-19.

Contingent liabilities

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 30 June 2020 there are 45 insurance claims under management with Council's public liability insurer, LGM (40 in 2019). The amount required assuming the claims proceed to settlement is:	432	262	432	262
At 30 June 2020 there are 24 compulsory land acquisition claims (20 in 2019) pending and are not expected to exceed:	13,644	13,953	13,644	13,953
At 30 June 2020 Council has 3 standard commercial warranties to which there are no current known claims (3 in 2019). The maximum amount required in the event of breach is:	98,000	98,000	98,000	98,000
At 30 June 2020 Council may be required by the Department of Environment and Science (DES), to treat water on the Sunshine Coast Airport site that has been contaminated with per- and poly-fluoroalkyl substances (PFAS). The amount required in the event of a legal requirement is:	20,000	20,000	20,000	20,000
Total Contingent liabilities	132,076	132,215	132,076	132,215

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

Local Government Workcare

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

Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$2,877,529 (2019 \$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 2020 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.



Notes to the Financial Statements
For the year ended 30 June 2020

27 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 AASB 119 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 due 1 July 2021.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

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

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

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

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		1,393	1,883	1,393	1,883
Other superannuation contributions for employees		14,418	13,264	14,239	13,107
Total superannuation contributions paid by Council for employees:	6	15,812	15,147	15,632	14,990



Notes to the Financial Statements
For the year ended 30 June 2020

28 Controlled entities

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

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

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

The following table shows revenue and expenses before consolidating eliminations.

Controlled entity	Revenue		Expenses		Surplus / (deficit)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
SunCentral Maroochydhore Pty Ltd	13,032	20,826	(12,988)	(20,799)	44	27
Sunshine Coast Events Centre Pty Ltd	3,231	3,348	(3,263)	(3,341)	(32)	6

Controlled entities that have not been consolidated

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

The principal objects of the foundation are for the public charitable purposes of promoting and advancing arts, craft, design, visual arts, movable cultural heritage, Aboriginal arts, and community arts.

The following table shows revenue and expenses.

	Revenue		Expenses		Surplus / (deficit)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Sunshine Coast Arts Foundation Ltd	148	-	(91)	-	58	-

As 2019/20 was the first operational period of the Foundation, there are no comparative amounts.

29 Trust funds

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	7,510	8,867	7,305	8,442

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.



Notes to the Financial Statements
 For the year ended 30 June 2020

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

	Note	Consolidated		Council	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net result		163,093	140,271	121,615	96,419
Non-cash items					
Depreciation and amortisation	16,17	96,371	85,581	96,312	85,530
Share of net profit of associate		(41,466)	(43,819)	-	-
Infrastructure from developers at fair value		(97,617)	(89,266)	(97,617)	(89,266)
		(42,712)	(47,504)	(1,304)	(3,736)
Investing activities (non-cash)					
Net loss on disposal of property, plant and equipment		10,631	9,589	10,631	9,589
Impairment Expense		-	44,802	-	44,802
Non-recurrent grants and contributions		(41,375)	(58,323)	(41,375)	(58,323)
		(30,745)	(3,932)	(30,745)	(3,932)
Changes in operating assets and liabilities					
(Increase)/decrease in receivables		2,646	2,033	1,823	(460)
(Increase)/decrease in inventory		(982)	(16,839)	99	(16,884)
Increase/(decrease) in payables		(13,722)	(390)	(13,633)	2,257
Increase/(decrease) contract liabilities		11,257	-	11,257	-
Increase/(decrease) other liabilities		(19,255)	7,735	(19,215)	7,735
Increase/(decrease) in other provisions		(11,449)	35,457	(11,546)	35,033
		(31,505)	27,996	(31,215)	27,681
Net cash inflow from operating activities		58,131	116,831	58,351	116,432



Notes to the Financial Statements
For the year ended 30 June 2020

31 Reconciliation of liabilities arising from financing activities

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

For the year ended June 2019	As at 30	Cash flows	Non-cash	As at 30
	June 2018		changes	June 2019
	\$'000	\$'000	(Fair Value)	\$'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

32 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

Risk Management Framework

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

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

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

Council does not enter into derivatives.



Notes to the Financial Statements
For the year ended 30 June 2020

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:

Financial assets	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	11	199,675	265,691	197,632	263,421
Receivables - rates	12	5,982	4,418	5,982	4,418
Receivables - loan	12	4,176	9,254	4,176	9,254
Receivables - other	12	28,857	26,769	28,298	26,644
Contract Receivables	12	248,226	-	248,226	-
Loan to Unitywater - subordinate debt and working capital	12	434,393	434,393	434,393	434,393
Shares held in controlled entities	12	-	-	500	500
Other credit exposures					
Guarantees	26	-	2,735	-	2,735
Total financial assets		921,310	740,525	919,207	738,631

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

Cash and cash equivalents

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

Other financial assets

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

Credit risk (continued)



Notes to the Financial Statements
For the year ended 30 June 2020

Trade and other receivables

In the case of rate receivables, the council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors, the credit risk is low.

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.

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 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
Property Charges		12,019	10,805	12,019	10,805
Trade and other debtors		22,820	20,381	22,261	20,256
Contract Receivables - Sunshine Coast Airport Expansion Project		248,226	-	248,226	-
Loans to associates		434,393	434,393	434,893	434,893
Receivable other		4,176	9,254	4,176	9,254
Total	12	721,634	474,834	721,575	475,209

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

Expected credit loss assessment as at 1 July 2019 and 30 June 2020

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.

There were no material indicators of increased impairment due to COVID-19 at the time the financial statements were authorised for issue.

Write offs throughout the year and End of Period Expected Credit Losses for Receivables

All amounts that were written off during the reporting period and are no longer subject to enforcement activity.

Consolidated and Council - 2020

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



Notes to the Financial Statements
 For the year ended 30 June 2020

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

Consolidated and Council - 2019

	Gross carrying amount \$'000	Historical probability of default %	Lifetime expected credit loss \$'000	Credit impaired \$'000
Statutory Charges				
Current				
Not past due	7,501	< .01%	(8)	7,493
Past due 31-60 days	320	< .01%	()	320
Past due 61-90 days	365	< .01%	()	364
More than 90 days	2,323	< .01%	(3)	2,321
Total	10,510	-	(12)	10,498

	Gross carrying amount \$'000	Historical probability of default %	Lifetime expected credit loss \$'000	Credit impaired \$'000
Other Debtors				
Current				
Not past due	464,094	< .01%	(527)	463,567
Past due 31-60 days	334	< .01%	()	333
Past due 61-90 days	103	< .01%	()	103
More than 90 days	334	< .01%	()	333
Total	464,864	-	(528)	464,336

Refer to note 12 for the movement in the allowance for impairment for receivables during the year.

Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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



Notes to the Financial Statements
For the year ended 30 June 2020

The following sets out the liquidity risk of financial liabilities (excluding lease liabilities for 2020) 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	1 to 5 years	Over 5 years	Total
			\$'000	\$'000	\$'000	\$'000
2020						
Trade and other payables	18		48,422	-	-	48,422
Loans - Queensland Treasury Corporation (QTC)	21		40,879	371,110	214,025	626,014
Loan - Economic Development Queensland (EDQ)	21		840	3,360	5,880	10,080
			90,141	374,470	219,905	684,516
2019						
Trade and other payables	18		64,276	-	-	64,276
Loans - Queensland Treasury Corporation (QTC)	21		34,787	140,515	222,516	397,817
Loan - Economic Development Queensland (EDQ)	21		840	3,360	6,720	10,920
Loan - Federal Government Concessional Loan	21		-	86,557	-	86,557
			99,902	230,431	229,236	559,570
Council						
			0 to 1 year	1 to 5 years	Over 5 years	Total
			\$'000	\$'000	\$'000	\$'000
2020						
Trade and other payables	18		47,648	-	-	47,648
Loans - Queensland Treasury Corporation (QTC)	21		40,879	371,110	214,025	626,014
Loan - Economic Development Queensland (EDQ)	21		840	3,360	5,880	10,080
			89,367	374,470	219,905	683,742
2019						
Trade and other payables	18		63,582	-	-	63,582
Loans - Queensland Treasury Corporation (QTC)	21		34,787	140,515	222,516	397,817
Loan - Economic Development Queensland (EDQ)	21		840	3,360	6,720	10,920
Loan - Federal Government concessional Loan	21		-	86,557	-	86,557
			99,209	230,431	229,236	558,876

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.



Notes to the Financial Statements
For the year ended 30 June 2020

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation, the Concessional Loan from the Federal Government (repaid in September 2019), investments held with other financial institutions and shareholder loans with the Northern SEQ Distributor Retailer Authority (Unitywater).

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

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

Sensitivity

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

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

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

Consolidated and Council	Net carrying amount		Effect on Net Result 1% increase/(decrease)		Effect on Equity 1% increase/(decrease)	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents	199,675	265,691	1,997	2,657	1,997	2,657
QTC Loans	(542,715)	(312,028)	-	-	-	-
Other Loans	(10,080)	(97,477)	-	-	-	-
Net total	(353,120)	(143,814)	1,997	2,657	1,997	2,657

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

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

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



Notes to the Financial Statements
For the year ended 30 June 2020

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Queensland Treasury Corporation (QTC) borrowings	542,715	312,028	591,728	354,234
Economic Development Queensland borrowings	10,080	10,920	8,335	8,904
Federal Government Concessional Loan borrowings	-	86,557	-	86,557 *
	552,795	409,505	600,064	449,695

* Federal Government Concessional Loan borrowings were paid in full in September 2019 with borrowings from QTC.

Fair value

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

The fair value of borrowings is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market rate is provided by QTC and is disclosed in Note 21.

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

33 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.



Notes to the Financial Statements
For the year ended 30 June 2020

(a) Significant business activities

The expenditure threshold amounts for identifying a "significant business activity" for the 2019/20 financial year are as follows:

- a) for water and sewerage combined activities - if 10,000 or more premises are connected to a water service as at 30 June of the previous financial year
- b) for other activities - \$9.70 million (2019 \$9.70 million)

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

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

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

- a) Sunshine Coast 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
	2020 \$'000	2020 \$'000	2020 \$'000
Revenue for services provided to Council	5,163	757	1,271
Revenue for services provided to external clients	889	14,386	73,162
Community Service Obligations (CSO's)	938	-	1,152
	<u>6,990</u>	<u>15,142</u>	<u>75,585</u>
Less : Expenditure	7,964	9,406	62,404
Surplus / (deficit)	(974)	5,736	13,182

Description of CSO's provided to business activities:

Waste and resource

Waste collection and disposal charges for charitable organisations

Net cost

2020

\$'000

1,152



Notes to the Financial Statements
For the year ended 30 June 2020

34 Related party disclosures

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

(a) Transactions with Subsidiaries

SunCentral Maroochydore Pty Ltd (wholly owned entity)

Details	2020 \$'000	2019 \$'000
Revenue		
Receipt of contributions and sponsorship from subsidiary	74	50
Expenditure		
Purchase of materials and services from subsidiary	(4)	-
Annual development management fee paid to subsidiary	(1,971)	(1,934)
Maroochydore City Centre development costs paid to the subsidiary in accordance with established Development Service Contracts	(10,192)	(16,707)
Total	(12,093)	(18,591)

SunCentral Maroochydore Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2020/21 financial year. No SunCentral employees are related parties of Council.

Sunshine Coast Events Centre Pty Ltd (wholly owned entity)

Details	2020 \$'000	2019 \$'000
Revenue		
Recoupment of operating costs paid on behalf of the subsidiary	228	263
Recoupment of internal service costs from the subsidiary	89	87
Expenditure		
Operational funding paid to subsidiary	(1,527)	(1,495)
Purchase of materials and services from subsidiary	(74)	(27)
Maintenance and equipment provided to subsidiary	(3)	(132)
Payment of operating costs on behalf of the subsidiary	(245)	(237)
Provision of internal services to the subsidiary	(356)	(434)
Capital expenditure incurred on the property	(963)	(7,070)
Total	(2,851)	(9,045)

Sunshine Coast Events Centre Pty Ltd is dependant on funding provided by Council. Funding support has been agreed to by Council for the 2020/21 financial year. No Events Centre employees are related parties of Council.



Notes to the Financial Statements
For the year ended 30 June 2020

Sunshine Coast Arts Foundation Ltd (controlled entity)

Details	2020 \$'000	2019 \$'000
Revenue	-	-
Expenditure		
Operational funding paid to subsidiary	(106)	-
Specific project funding	(10)	
Insurance premiums	(3)	
Total	(119)	-

The Sunshine Coast Arts Foundation Ltd is currently dependent on funding provided by Council as part of a three year funding agreement expiring in 2021. The foundation aims to be self funding from 2022.

(b) **Transactions with associates**
Unitywater (associate)

Details	2020 \$'000	2019 \$'000
Revenue		
Interest paid to Council	21,112	21,807
Recoupment Unitywater expenses incurred by Council	571	458
Participation returns (dividends) paid to Council	12,321	13,121
Tax equivalent paid to Council	16,409	14,911
Expenditure		
Water and sewerage charges for Council properties	(4,526)	(4,703)
Purchase of materials and services	(594)	(394)
Total	45,293	45,200

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

(c) **Transactions with Key Management Personnel**

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

Details	2020 \$'000	2019 \$'000
Short term employee benefits	(5,009)	(4,781)
Post employment benefits	(508)	(544)
Long term employee benefits	(65)	(68)
Termination benefits	(333)	(107)
Total	(5,915)	(5,499)

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.



Notes to the Financial Statements
For the year ended 30 June 2020

(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	2020 \$'000	2019 \$'000
(i) Employee expenses for close family members of key management personnel	(193)	(146)
(ii) Purchase of materials and services from entities controlled by close family members of key management personnel	(2,307)	(1,938)
(iii) Development applications submitted by related parties of key management personnel	6	14
Total	(2,494)	(2,070)

- (i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform and fill office and field staff roles.
- (ii) Sunshine Coast Council purchased civil construction services from Civlec Pty Ltd trading as Trafflec, a company controlled by a close family member of former councillor, 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 0.74% i.e. less than 1% (0.59% in 2018/19) of the total amount spent on capital expenditure. Practical completion and defects liabilities guarantees totalling \$41,000 (\$75,000 in 2018/19) 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 29,000 (20,000 in 2019) development applications during the year, 19 (4 in 2019) 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	2020 \$'000	2019 \$'000
(i) Not past due	2	52
Past due more than 90 days	32	15
Total Owing	34	67

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.



Notes to the Financial Statements
For the year ended 30 June 2020

(f) **Loans and guarantees to/from related parties**

Details	2020 \$'000	2019 \$'000
Loan to associate (Unitywater) - subordinated debt	434,393	434,393

Refer to Note 32 Financial instruments and financial risk management.

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

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

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

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

35 Restated balances
30 June 2020

- (a) During 2019/20, Council identified a prior period error that related to contributed assets that had acquisition dates prior to 1 July 2019. As a result, for 2018/19 Council had understated its contributed revenue and property, plant and equipment by \$3.423 million and applicable depreciation by \$0.057 million. To correct the impact of the prior period error, Council has adjusted the 2018/19 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.
- (b) During 2019/20, Council identified a prior period error that related to non-policy developer contributions and agency liabilities which has resulted in Council understating its liabilities in the years prior to 2018/19 by \$4.800 million. These amounts had been transferred to revenue. To correct the impact of the prior period error, Council has adjusted the 2018/19 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.
- (c) During 2019/20, Council identified a prior period error that relates to asset records which have not previously been financially recognised, along with some erroneous records that have been removed from the financial register and operating expenditure held in works in progress that relates to dates prior to 1 July 2019. As a result, for 2018/19 Council had understated its plant and equipment and intangibles by \$43.690 million and associated depreciation and amortisation by \$2.080 million. To correct the impact of the prior period error, Council has adjusted the 2018/19 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.
- (d) During 2019/20 Council refined the approach to calculating Capital Commitments (Note 25). As a result there has been a significant increase to the amounts recorded from 2018/19 to 2019/20. To provide greatest value to readers of the financial statements, Council has restated the comparative amounts in 2018/19 using the refined approach which has resulted in an increase of \$152 million. This restatement has no impact on any of the financial statements.
- (e) During 2019/20, Council improved the contributed asset recognition process and as an outcome identified that assets had been brought to account in Council's books before being accepted on-maintenance from developers. Due to this date of acquisition error, for 2018/19 Council had understated contributed revenue and plant, property and equipment by \$0.463M. In years prior to 2018/19, Council had overstated contributed revenue and plant, property and equipment by \$16.625M, as well as \$0.083M in associated depreciation and \$0.323 in revaluation reserve movement. To correct the impact of the prior period error, Council has adjusted the 2018/19 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.



Notes to the Financial Statements
For the year ended 30 June 2020

(f) Council identified an error in applying the 2018/19 comprehensive revaluation of the Transportation asset class resulting in an understatement of property, plant and equipment by \$19.197M. To correct the impact of the prior period error, Council has adjusted the 2018/19 comparative amounts in the Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and notes where indicated.

<u>Council</u>	<u>Note</u>	<u>Actual</u> <u>2019</u> <u>\$'000</u>	<u>Adjustments</u> <u>2019</u> <u>\$'000</u>	<u>Restated</u> <u>Actual</u> <u>2019</u> <u>\$'000</u>
Statement of Comprehensive Income (Extract)				
Non-recurrent revenue				
(a) (e) Grants, subsidies, contributions, donations and other	4(b)	143,703	3,887	147,590
Total non-recurrent revenue		143,703	3,887	147,590
Total income				
		588,676	3,887	592,563
Recurrent expenses				
Depreciation and amortisation				
(e) Property, plant and equipment	16	82,662	(83)	82,579
Net result (deficiency)				
		92,449	3,970	96,419
Other comprehensive income				
(e,f) Increase/(decrease) in asset revaluation surplus	24	(261,746)	19,520	(242,226)
Total comprehensive income for the year		(169,297)	23,490	(145,807)
Statement of Financial Position (Extract)				
Non current assets				
(a,c,e) Property, plant and equipment	16	4,275,829	50,754	4,326,583
(c) Intangibles	17	14,377	(200)	14,177
Total non-current assets		5,469,129	50,554	5,519,683
Total assets				
		5,788,326	50,554	5,838,880
Current liabilities				
(b) Other Liabilities	23	16,728	4,800	21,527
Community equity				
(e,f) Asset revaluation surplus	24	643,073	19,520	662,593
(a,b,c,e) Retained surplus/(deficiency)		4,552,400	26,235	4,578,635
Total community equity		5,195,473	45,754	5,241,227



Notes to the Financial Statements
For the year ended 30 June 2020

36 Changes in accounting policy

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of NFP Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Changes in accounting policy on adoption of AASB 15 and AASB 1058

- Revenue recognised over time or at a point in time
- Prepaid rates - now recorded as a financial liability until the beginning of the rating period
- Recognition of grant revenue within the scope of AASB 15
- Recognition of grant revenue for acquisition or construction of assets controlled by Council.

Opening contract balances on transition at 1 July 2019

	Consolidated \$'000	Council \$'000
Contract assets		
- Under AASB 15	143,189	143,189
- Under AASB 1058	-	-
Total contract assets	143,189	143,189
Contract liabilities		
- Under AASB 15	4,162	4,162
- Under AASB 1058	2,229	2,229
Total contract liabilities	6,391	6,391

Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.



Notes to the Financial Statements
For the year ended 30 June 2020

Statement of financial position at 30 June 2020

Consolidated and Council

	Note	Carrying amount per Statement of Financial Position Dr/(Cr)	Adjustments Dr/(Cr)	Carrying amount if previous standards had been applied
		\$'000	\$'000	\$'000
Contract assets				
Right of use assets - non-current	19	10,087	(10,087)	-
Trade and other receivables - non-current	12	703,855	(248,226)	455,629
Inventory - non-current	13	36,568	142,935	179,503
Property, plant and equipment - non-current	16	4,523,399	104,728	4,628,126
Contract liabilities - current				
Other liabilities - current	20	(11,257)	1,158	(10,100)
Other liabilities - current	23	(11,154)	10,119	(1,035)
Lease liabilities - current	19	(4,405)	4,405	-
Lease liabilities - non-current	19	(6,077)	6,077	-
Retained earnings		5,241,016	11,108	5,252,124

Statement of comprehensive income for the year ended 30 June 2020

Consolidated and Council

		Balance per Statement of Comprehensive Income Dr/(Cr)	Adjustments Dr/(Cr)	Carrying amount if previous standards had been applied
		\$'000	\$'000	\$'000
Revenue - recurrent				
Net rates, levies and utility charges	3(a)	311,897	1,308	313,205
Interest and other income	5	26,556	(123)	26,433
Revenue - non-recurrent				
Grants, subsidies, contributions, donations and other	4(b)	129,734	1,158	130,892
Sales from contracts - Sunshine Coast Airport Expansion Project	4(c)	186	(186)	-
Expenses				
Materials and services - operating lease	7	(4,577)	(4,891)	(9,467)
Finance costs - interest on leases	8	(228)	228	-
Depreciation - right of use assets	19	(4,575)	4,575	-
Retained earnings		458,994	2,069	461,063

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statements of Cash Flows for the year ended 30 June 2020.



Notes to the Financial Statements
For the year ended 30 June 2020

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the Lease term if the contract contains options to extend or terminate the lease.

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets and lease liabilities of \$12.651 million at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.925%.

	Consolidated \$'000	Council \$'000
Operating lease commitment at 30 June 2019 per Council financial statements	16,704	16,688
Discounted using the incremental borrowing rate at 1 July 2019	16,221	16,221
Add:		
Finance Lease Liabilities	239	239
Less:		
Short-term leases included in the commitments note	(1,499)	(1,499)
Leases for low-value assets included in commitments note	(2,310)	(2,310)
Lease liabilities recognised at 1 July 2019	<u>12,651</u>	<u>12,651</u>

37 Events after the reporting date

Council's financial statements are expected to be impacted by the COVID-19 pandemic beyond 30 June 2020 with a negative impact to the Operating Result of \$15.3 million as per Council's 2020/21 adopted budget. There have been no other subsequent events to date that may significantly affect the operations of Council or materially impact the financial statements.



**Financial statements
For the year ended 30 June 2020**

MANAGEMENT CERTIFICATE

For the year ended 30 June 2020

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 – 59, 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.

A handwritten signature in blue ink, appearing to read "Mark Jamieson", written over a faint circular stamp.

Cr Mark Jamieson
Mayor
Sunshine Coast Regional Council

Dated: 8 October 2020

A handwritten signature in blue ink, appearing to read "Warren Bunker", written over a faint rectangular stamp.

Warren Bunker
Chief Executive Officer (Acting)
Sunshine Coast Regional Council

Dated: 8 October 2020



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 2020, 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 2020, 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 a summary of significant accounting policies and other explanatory information, and the management certificate given by the Mayor and Acting Chief Executive Officer.

Basis of opinion

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

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

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

Key audit matters

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



2b **Property plant and equipment Infrastructure assets**

Key audit matter	How my audit addressed the key audit matter
<p>Council's infrastructure assets (transport network, stormwater network and other infrastructure) were measured at fair value at balance date using the current replacement cost method that comprises:</p> <ul style="list-style-type: none"> Gross replacement cost, less Accumulated depreciation <p>Council values the gross replacement cost of its infrastructure assets with reference to the unit rate at which it could construct a substitute asset of comparable quality in the normal course of business.</p> <p>Council engaged qualified consultants to provide cost movement indices to derive unit rates as at 30 June 2020.</p> <p>Unit rates require significant judgement for determining the:</p> <ul style="list-style-type: none"> parts of assets (components) that are replaced at different times in the asset life-cycle, or that have materially different replacement costs due to physical location attributes average project dimensions tasks (and applicable costs) required for replacing components, excluding those that result in duplication or are ineligible for inclusion in the cost of an asset on-costed labour charges directly attributable service, materials, and plant costs (inputs) for each applicable task indices for measuring subsequent changes in unit rates. <p>In measuring accumulated depreciation, Council's engineers and asset managers use significant judgement for estimating how long asset components will provide future economic benefits for. Asset lives are dependent on a range of factors including asset management practices, maintenance programs, construction materials and construction methods, obsolescence, environmental factors, degradation through use, management intentions and fiscal availability.</p> <p>The significant judgements required for gross replacement cost and useful lives outlined above are also significant for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing the competence, capabilities and objectivity of valuers who have provided information on unit rates and unit cost movements Assessing the reasonableness of unit rates by evaluating the methods by which Council determined the movement in unit cost indices and reasonableness of the result. This was done by: <ul style="list-style-type: none"> inquiring with Council management and the independent valuer to identify if there had been any significant changes to construction costs resulting from factors such as changed building codes, environmental or safety regulations, construction methods and technological advances. corroborating Council's representations against recent construction activity and asset management plans. obtaining an understanding of the methodologies used and assessing their design, integrity and appropriateness with reference to common industry practice considering evidence of labour rate changes and supplier rate changes comparison with other publicly available indices and other available information on the movement of key cost drivers. Assessing the reasonableness of useful lives by: <ul style="list-style-type: none"> reviewing management's annual assessment of useful lives. reviewing for evidence of infrastructure obsolescence, failure or disposals that could indicate a remaining useful life less than what is recorded. reviewing for evidence of infrastructure assets continuing to be used for longer than their recorded useful lives. comparing Council's infrastructure useful life assumptions to other local councils. considering whether Council's asset management plans are consistent with useful lives assigned to infrastructure assets. assessing Council's processes for performing asset condition assessments and making adjustments in its asset registers and financial systems.



Other information

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

At the date of this auditor's report, the available other information in Sunshine Coast Regional Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors of the financial report

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

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

Auditor's responsibilities of the audit of the financial report

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



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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- 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.

C G Strickland
as delegate of the Auditor-General

13 October 2020
Queensland Audit Office
Brisbane



Current Year Financial Sustainability Statement
Sunshine Coast Regional Council
For the year ended 30 June 2020

Measures of Financial Sustainability

Council's performance at 30 June 2020 against key financial ratios and targets:

		Consolidated 2020	Council 2020
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	8.0%	-0.3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	70.5%	70.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	95.5%	105.1%

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 2020.

Certificate of Accuracy

For the year ended 30 June 2020

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: 8 October 2020

.....
Warren Bunker
Chief Executive Officer (Acting)
Sunshine Coast Regional Council

Dated: 8 October 2020



I D P D T A U D I T O R S R E P O R T

To the Councillors of Sunshine Coast Regional Council

R e p o r t o n t h e C u r r e n t Y e a r F i n a n c i a l S u s t a i n a b i l i t y S t a t e m e n t

Opinion

I have audited the accompanying current year financial sustainability statement of Sunshine Coast Regional Council for the year ended 30 June 2020, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting 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 2020 has been accurately calculated.

B a s i s o f o p i n i o n

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

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

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

o p i n i o n b a s e d o n a c c o u n t i n g

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.

O t h e r I n f o r m a t i o n

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

At the date of this auditor's report, the available other information in Sunshine Coast Regional Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.



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

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

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

Responsibilities of the councillors on the current year financial sustainability statement

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads "C. G. Strickland".

C G Strickland
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane



Long-Term Financial Sustainability Statement
Sunshine Coast Regional Council
 For the year ended 30 June 2020

Measures of Council	Measure	Target	Actuals at 30 June 2020	Forward Estimates									
				30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-0.3%	0.9%	4.5%	7.4%	11.0%	9.3%	8.1%	7.5%	8.6%	9.2%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	70.5%	74.7%	79.4%	80.3%	74.4%	72.2%	71.9%	71.5%	70.0%	75.6%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	105.1%	117.4%	59.3%	53.9%	41.6%	40.5%	35.9%	33.7%	28.3%	21.0%	

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 exception of the Operating Surplus Ratio which has been adversely impacted by COVID-19 in years 2020 and 2021.

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.

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 2020 and 2021. The 10 year capital program requires significant 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 2020 and 2021. Borrowings for this project will be repaid in 2022 on receipt of the \$290 million New Runway Construction Payment from Palisade Investment Partners Ltd.

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 2020

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: 8 October 2020

Warren Bunker
 Chief Executive Officer (Acting)
 Sunshine Coast Regional Council

Dated: 8 October 2020