



Redland
CITY COUNCIL

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2013**

REDLAND CITY COUNCIL
Annual Financial Statements
For the year ended 30 June 2013

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Note	2013 \$000	Restated 2012 \$000
Income			
Recurrent revenue			
Rates, levies and charges	4(a)	190,295	100,406
Fees and charges	4(b)	12,602	16,142
Rental income	4(c)	438	561
Interest received	4(d)	4,250	5,041
Sales revenue	4(e)	2,666	1,385
Other income	4(f)	2,112	1,820
Income from associate	4(g)	-	23,636
Grants, subsidies and contributions	5(a)	8,638	10,035
Total recurrent revenue		221,001	159,026
Capital revenue			
Grants, subsidies and contributions	5(b)	14,128	6,901
Non-cash contributions	5(b)	6,547	14,158
Gain on reintegration of water operations	11	200,486	-
Share of profit in associate company		-	8,815
Total capital revenue		221,161	29,874
Total income		442,162	188,900
Expenses			
Recurrent expenses			
Employee benefits	6	(78,391)	(68,587)
Materials and services	7	(100,887)	(63,777)
Finance costs	8	(5,814)	(5,476)
Depreciation and amortisation	9	(50,735)	(38,187)
Total recurrent expenses		(235,827)	(176,027)
Capital expenses			
Loss on disposal of non-current assets	10	(2,761)	(2,943)
Total capital expenses		(2,761)	(2,943)
Total expenses		(238,588)	(178,970)
Net result		203,574	9,930
Other comprehensive income/(loss)			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus	26	41,242	(13,581)
Total comprehensive income/(loss) for the year		244,816	(3,651)

The 'Net result' and 'Total comprehensive income/(loss) for the year' are extraordinarily high in 2012-13 due to the one-off non-cash gain on returning water operations. Refer details at Notes 2.x and 11.

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

REDLAND CITY COUNCIL
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	2013 \$000	Restated 2012 \$000	Restated 1 July 2011 \$000
Current assets				
Cash and cash equivalents	12	82,595	84,804	72,483
Trade and other receivables	13(a)	20,930	15,502	16,002
Inventories	14	943	991	1,049
Non-current assets held-for-sale	15	467	29	160
Other current assets	16	1,235	994	1,246
Total current assets		106,170	102,320	90,940
Non-current assets				
Trade and other receivables	13(b)	-	9	26
Investment property	17	797	846	3,876
Property, plant and equipment	18	1,990,574	1,304,080	1,309,955
Intangible assets	19	966	353	599
Investment in other companies	20	73	251,421	244,515
Financial assets	21	-	205,425	203,517
Total non-current assets		1,992,410	1,762,134	1,762,488
Total assets		2,098,580	1,864,454	1,853,428
Current liabilities				
Trade and other payables	22(a)	17,433	27,582	24,388
Borrowings	23(a)	4,124	3,996	3,131
Provisions	24(a)	6,421	5,081	3,768
Other current liabilities	25	6,362	6,572	1,098
Total current liabilities		34,340	43,231	32,385
Non-current liabilities				
Trade and other payables	22(b)	693	1,027	343
Borrowings	23(b)	58,978	58,593	54,521
Provisions	24(b)	44,171	46,020	46,945
Total non-current liabilities		103,842	105,640	101,809
Total liabilities		138,182	148,871	134,194
Net community assets		1,960,398	1,715,583	1,719,234
Community equity				
Asset revaluation surplus	26	566,753	526,588	540,499
Retained surplus		1,333,888	1,145,983	1,136,963
Reserves	27	59,757	43,012	41,772
Total community equity		1,960,398	1,715,583	1,719,234

Redland City Council (Council or RCC) has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the comparative period, i.e. as at 1 July 2011. Refer Note 33 for details.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Asset Revaluation Surplus	Retained Surplus	Reserves	Total Community Equity
	\$000	\$000	\$000	\$000
	Note 26		Note 27	
Balance as at 1 July 2012	526,588	1,145,983	43,012	1,715,583
Total comprehensive income:				
Net result	-	203,574	-	203,574
Other comprehensive income for the year:				
Increase in asset revaluation surplus	41,242	-	-	41,242
Total comprehensive income for the year	41,242	203,574	-	244,816
Transfers to and from reserves:				
Transfers to reserves	-	(34,631)	34,631	-
Transfers from reserves	-	17,886	(17,886)	-
Total transfers (from)/to reserves	-	(16,745)	16,745	-
Derecognition of asset revaluation surplus	(1,077)	1,077	-	-
Balance as at 30 June 2013	566,753	1,333,888	59,757	1,960,398

	Asset Revaluation Surplus	Retained Surplus	Reserves	Total Community Equity
	\$000	\$000	\$000	\$000
	Note 26		Note 27	
Balance as at 1 July 2011	540,499	1,130,188	41,772	1,712,459
Correction to opening balance (Note 33)	-	6,775	-	6,775
Restated balance as at 1 July 2011	540,499	1,136,963	41,772	1,719,234
Total comprehensive loss:				
Net result as stated in prior year	-	9,888	-	9,888
Corrections (Note 33)	-	42	-	42
Net result - restated	-	9,930	-	9,930
Other comprehensive loss for the year:				
Decrease in asset revaluation surplus	(13,581)	-	-	(13,581)
Total comprehensive loss for the year	(13,581)	9,930	-	(3,651)
Transfers to and from reserves:				
Transfers to reserves	-	(19,843)	19,843	-
Transfers from reserves	-	18,602	(18,602)	-
Total transfers (from)/to reserves	-	(1,241)	1,241	-
Derecognition of asset revaluation surplus	(330)	330	-	-
Balance as at 30 June 2012	526,588	1,145,983	43,012	1,715,583

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

REDLAND CITY COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 30 June 2013

	Note	2013 \$000	Restated 2012 \$000
Cash flows from operating activities			
Receipts from customers		207,953	126,744
Allconnex tax equivalent returns		-	1,752
Allconnex service level agreement and other recoveries		-	4,589
Payments to suppliers and employees		<u>(194,954)</u>	<u>(130,407)</u>
		12,999	2,678
Interest received	4(d)	4,250	5,041
Non-capital grants and contributions		9,036	15,170
Borrowing costs		(3,887)	(3,698)
Net cash inflow from operating activities	32	<u>22,398</u>	<u>19,191</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(36,733)	(35,355)
Payment for investment property	17	(17)	(846)
Payments for intangible assets	19	(982)	(133)
Returns from investment in associate		-	85
Net movement in loans to community groups		16	18
Proceeds from sale of property, plant and equipment		1,312	4,320
Capital grants, subsidies and contributions		14,127	6,901
Allconnex Water debt allocation		(2,843)	-
Net cash outflow from investing activities		<u>(25,120)</u>	<u>(25,010)</u>
Cash flows from financing activities			
Allconnex Water interest returns		-	13,206
Proceeds from borrowings	23	5,715	8,039
Repayment of borrowings	23	(5,202)	(3,105)
Net cash inflow from financing activities		<u>513</u>	<u>18,140</u>
Net (decrease)/increase in cash and cash equivalents held		<u>(2,209)</u>	<u>12,321</u>
Cash and cash equivalents at beginning of the financial year		84,804	72,483
Cash and cash equivalents at end of the financial year	12	<u>82,595</u>	<u>84,804</u>

Council has restated the 2012 data to reflect the corrections made to the prior period, refer Note 33.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

1 Basis of preparation and compliance

1.a Basis of preparation

These general purpose financial statements of Council are for the period 1 July 2012 to 30 June 2013 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

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

1.b Statement of compliance

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

1.c Basis of consolidation

At 30 June 2013 the Council had control over Redheart Pty Ltd (controlled entity), a company whose principal activity was to act as the holder of the mining lease pursuant to the Mineral Resources Act 1989 in respect of the Council's German Church Road quarry operations. As at 30 June 2013 the company had net assets of \$2 and remained dormant throughout the financial year.

Consolidated financial statements have not been prepared as the controlled entity's transactions are not material. As such, transactions between Council and its controlled entity have not been eliminated.

1.d Constitution

Redland City Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1.e Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate was signed.

1.f Currency

Council uses the Australian dollar as its functional currency and its presentation currency.

1.g Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest \$1000 dollars. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.h Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on or
AASB 9 <i>Financial Instruments</i> (September 2012)	1 January 2015
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2013
AASB 11 <i>Joint Arrangements</i>	1 January 2013
AASB 12 <i>Disclosure of Interests In Other Entities</i>	1 January 2013
AASB 13 <i>Fair Value Measurement</i>	1 January 2013
AASB 119 <i>Employee Benefits</i> (completely replaces existing standard)	1 January 2013
AASB 127 <i>Separate Financial Statements</i> (replaces the existing standard together with AASB10)	1 January 2013
AASB 128 <i>Investments in Associates and Joint Ventures</i> (replaces the existing standard)	1 January 2013
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
AASB 1055 <i>Budgetary Reporting</i>	1 July 2014
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB9</i> (December 2009)	1 January 2015
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1 January 2013
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (AASB 1)	1 January 2013
AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 January 2014
AASB 2012-4 Amendments to Australian Accounting Standards - Government Loans [AASB 1]	1 January 2013
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	1 January 2013
AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2012-9]	1 January 2013
AASB 2012-9 Amendments to AASB 1046 arising from the Withdrawal of Australian Interpretation 1039	1 January 2013
AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	1 January 2013
[AASB 1,5,7,10,11,12,13,101,102,108,112,118,119,127,128,132,133,134,137,1023,1038,1039,1049 & 2011-7 and Interpretation 12]	
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial	1 January 2014

AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result Council has valued its financial instruments at fair value as shown in Note 35. Accordingly, management reports that under the current circumstances, there will be no material impact on the financial statements when AASB 9 Financial Instruments is implemented at the effective date of 1 January 2015.

Consolidation Standards

The following accounting standards apply to Council as from reporting periods beginning on or after 1 January 2013:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures and
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

These standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

The AASB is planning to amend AASB 10. The amendments are expected to clarify how the IASB's principles about control of entities should be applied by not-for-profit entities in an Australian context. Hence, Council is not in a position to reliably determine the future implications of these new and revised standards for the Council's financial statements.

AASB 10 redefines and clarifies the concept of control over another entity, and is the basis for determining which entities should be consolidated into another entity's financial statements. Once the AASB finalises its not-for-profit amendments to AASB 10, Council will reassess the nature of its relationships with other entities, including entities that aren't currently consolidated.

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangements. Subject to any not-for-profit amendments to be made to AASB 11, Council will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

AASB 13 Fair Value Measurement

AASB 13 applies to reporting periods beginning on or after 1 January 2013 and will therefore be applied by Council in the 2013-14 reporting period. This standard is not required to be applied retrospectively, therefore there is no impact from the application of AASB 13 to values or other disclosures in the 2012-13 financial statements.

The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The key changes relate to the level of disclosures required.

Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be implemented. While Council is yet to complete this review, no significant changes are anticipated based on the fair value methodologies presently used. Therefore, and at this stage, no consequential material impacts are expected for Council's property, plant and equipment from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. The recognised fair values will be classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

- Level 1 - Fair values that reflect the unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Fair values that are based on inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and
- Level 3 - Fair values that are derived from data not observable in a market.

To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

Amendments to AASB 119 Employee Benefits

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits". Had Council applied the revised standard this year annual leave currently classified as "short-term benefit" would have been reclassified as "long-term benefit".

The concept of "termination benefits" is clarified and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Council contributes to the Local Government Superannuation Scheme (Qld) as disclosed in Note 30. The revised standard will require Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme.

The reported results and position of the Council will not change on adoption of the other pronouncements as they do not result in any changes to the Council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. Council does not intend to adopt any of these pronouncements before their effective dates.

1.i Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statements notes:

Investment property - Note 2.i and Note 17

Valuation and depreciation of property, plant and equipment - Note 2.j and Note 18

Impairment of assets - Note 2.l

Restoration Provision - Note 2.q and Note 24

Contingent liabilities and contingent assets - Note 29

Events after the reporting period - Note 34

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2 Significant accounting policies

2.a Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds.

Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Unspent non-reciprocal grants are held in a Constrained Works Reserve.

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

Non-cash contributions

Non-cash contributions are recognised as revenue and as non-current assets.

Physical assets contributed to Council by developers in the form of road works, stormwater and park equipment are recognised as revenue when it is probable that the assets will be received by Council. Generally this is when the development becomes 'on-maintenance'. The revenue is recognised when there is sufficient data in the form of drawing and plans to determine the specifications and values of such assets. At year end where plans are not yet available, an accrual is recognised, based on an average rate per lot. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

Cash contributions

Council receives cash contributions from property developers to construct assets such as roads and footpaths for new property developments in accordance with Council's planning scheme policies. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, these cash contributions are recognised as income when received.

Rental income

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

Interest

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

Other revenue

Other revenue is recognised when the amount of revenue can be measured reliably and it's probable that future economic benefits will flow to Council.

Fees and charges

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

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Revenue is measured at the fair value of consideration received or receivable in relation to that activity. 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.

2.b Financial assets and financial liabilities

Council recognises a financial asset or financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

- Financial assets - loans and receivables (Note 2.d)
- Cash and cash equivalents (Note 2.c)
- Trade and other receivables - measured at amortised cost (Note 2.d)

Financial liabilities

- Trade and other payables - measured at amortised cost (Note 2.n)
- Borrowings and borrowing costs - measured at amortised cost (Note 2.p)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 23 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 35.

2.c Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.d Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase price/contract price. Settlement of these amounts is generally within 30 days from the invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June 2013. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, therefore Council generally does not impair rate receivables. However, in certain, restrictive circumstances Council will recognise an impairment of rate receivables, although this value tends to be immaterial due to the nature of the determining factors of the impairment.

Loans and advances are recognised at amortised cost. Outstanding terms range from 1 to 4 years with all loans being interest free. Security is not normally obtained.

2.e Inventories

Stores and raw materials are valued at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no, or nominal, charge, and
- goods to be used for the provision of services at no, or nominal, charge.

These goods are valued at cost, adjusted when applicable, for any loss of service potential.

Land acquired by Council 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. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

2.f Other assets

Prepaid expenses for vehicle registration, insurances and other material expenditure are recognised initially at cost and classified as a current asset. Once the benefits are received, the amount is expensed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.g Non-current assets held-for-sale

Items of property, plant and equipment are reclassified as non-current assets held-for-sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held-for-sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held-for-sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

2.h Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2013 Council did not have any term deposits in excess of three months.

Council holds an investment in another entity, detailed in Note 20 Investment in other entities.

2.i Investment property

Investment property is property held for the primary purpose of earning rental income and/or capital appreciation.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued as required. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

2.j Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, accumulated depreciation and accumulated impairment losses. Non-current asset thresholds for recognition purposes are as follows:

Land	(all)
Building	(all)
Plant and equipment	\$200
Roads	\$5,000
Stormwater drainage	\$5,000
Water and wastewater	\$5,000
Parks	\$500
Other infrastructure	\$5,000
Waste	\$5,000
Work in progress	(all)

Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration such as cost of materials, direct labour and where relevant, the initial estimate of restoring the site on which the assets are located, plus costs incidental to the acquisition, including all costs incurred in preparing the assets for use.

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 for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital and operating expenditure

Wages and material costs incurred in the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of non-current assets are expensed as incurred. Expenditure that relates to the replacement of a major component of an asset to maintain its service potential is capitalised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Valuation

Land, buildings, roads, stormwater drainage, parks, water and wastewater, waste and other infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant and Equipment. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are 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 comprehensively revaluing these assets at least once every five years by engaging either independent external valuers or suitably qualified internal staff. 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 of the assets at the date of inspection. In interim years, valuations using a suitable index are performed where there has been a material variation in the index.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

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

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Details of valuers and methods of valuations are disclosed in Note 18(c).

Capital work in progress

The cost of property, plant and equipment being constructed by Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Investment property under construction is classified as investment property. Refer to Note 2.i for further information.

Depreciation

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

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

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 remaining useful life of the asset to the Council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Assessments performed as part of the annual process for assets measured at depreciated 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 18.

Land under roads

Land under roads acquired before 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 holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.k Intangible assets

Intangible assets with a cost or other value exceeding \$1,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Expenditure on research activities to internally-generate intangible assets is recognised as an expense in the period in which it is incurred.

It has been determined that there is not an active market for any of Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, estimated remaining lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 19.

2.l Impairment of assets

All physical and intangible assets are assessed for indicators of impairment annually. If an indicator of possible 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

2.m Leases

All Council leases are of an operating nature where substantially all the risks and benefits remain with the lessor.

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.

2.n Trade and other payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

2.o Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 22 as a payable.

Annual Leave

A liability for annual leave is recognised based on current wage and salary levels indexed by certified enterprise bargaining agreement increases and related employee on-costs such as superannuation contributions. This liability represents an accrued expense and all annual leave has been classified as a current payable and is reported in Note 22.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 30.

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. 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. This liability is reported in Note 24 as a provision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Sick Leave

Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

2.p Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

In accordance with the *Local Government Regulation 2012*, Council adopts an annual debt policy that sets out Council's planned borrowings for the current financial year and 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 (QTC) borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

2.q Restoration provision

A provision is made for the cost of restoration in respect of landfills and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The landfill provision is measured at the expected cost of the work required, discounted to current day values using the median interest rate on QTC borrowings in the 20 year debt pool for the 12 months to June 2013. The quarry provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

Landfill restoration

The provision represents the present value of the anticipated future costs associated with the closure of the landfill, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision 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 cost that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

Quarry rehabilitation

The 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 this provision 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 cost that will be incurred. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time.

Changes in the provisions are treated as an expense.

2.r 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 incremental changes in the carrying value of classes of non-current assets since 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.

When an asset is derecognised, the revalued amount relating to that asset is transferred directly to retained earnings from the asset revaluation surplus where it can be separately identified.

2.s Retained surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets used to provide services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.t Reserves

The following reserves are cash-backed reserves and represent funds that are accumulated within Council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability. An identified amount is transferred from retained surplus into the relevant reserve. As expenditure is incurred on specific projects, the equivalent amount is transferred out of the relevant reserve and returned to retained surplus. Reserve groupings shown below are further detailed in Note 27.

Constrained works capital reserve

This reserve includes all contributions of monetary revenue received during the reported and previous periods which are constrained for the purpose of funding specific expenditure. The closing balance reported at the year end represents amounts not yet expended and must be retained until expended in the manner specified by the contributor or relevant legislation.

Special projects reserve

This reserve holds funds identified for various projects and for funding specific expenditure. Included in this group is Council's self-funded Redland WorkCover Reserve.

Special capital projects reserve

This reserve holds funds collected from the differential of Southern Moreton Bay Islands general rates for capital works including land purchases on Macleay, Russell, Perulpa, Karragarra and Lamb Islands.

Cleansing reserve

This reserve hold funds set aside to meet future specific expenditure for the Waste Management Unit.

Separate charge reserve - Environment

This reserve was established to hold funds collected from the Environment Charge for ongoing maintenance and future capital expenditure for conservation maintenance, environmental land acquisition and landfill remediation.

Special charge reserve - Other

This reserve was established to hold funds collected from the Rural Fire Levy Special Charge and are distributed to the respective Southern Moreton Bay Islands Rural Fire Brigades.

Special charge reserve - Canals

This reserve was established to hold funds collected from the Canal Special Charge and the Sovereign Waters Lake Special Charge for ongoing and future maintenance.

Constrained works recurrent reserve

This reserve holds any constrained operating revenue in the form of grants or contributions received during the year and remaining unexpended at the end of the financial year.

2.u National Competition Policy

Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 36.

2.v Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include proceeds in excess of rates and charges recovered through sale of land for overdue rates and various security deposits lodged to guarantee performance. Council performs only a custodial role in respect of these monies and because they cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. The monies are disclosed in the notes to the financial statements for information purposes only in Note 31.

2.w Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively. The Council pays Payroll Tax to the Queensland Government on certain activities.

Cash Flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.x Reintegration of water operations

Distribution and retail water reform changes from 1 July 2012

Legislative amendments allowing the local government participants to withdraw from Distributor-Retailers were introduced in 2012 under the South East Queensland Water (Distribution and Retail Restructuring) and Other Legislation Amendment Act 2012 (the Restructure Act). The Restructure Act provides that Allconnex Water (Allconnex) cease to be a service provider and that each local government (withdrawn Council) become a service provider for its local government area from 1 July 2012.

Withdrawn Councils were defined as Gold Coast City Council, Logan City Council and Redland City Council.

Reintegration of water operations

Ernst & Young was engaged to undertake work with regards to assets and liabilities of Allconnex being allocated in accordance with the agreed Re-transfer Scheme. This work included a reconciliation of the working capital, the allocation of short and long term debt and to identify inter-council payments required as a result of these findings.

In accordance with the Re-transfer Scheme, Ernst & Young calculated a single inter-council payment in relation to the Working Capital Net Adjustment and the Debt Facility (CSP) net adjustment of \$3.153m per note 11 from Redland City Council to Logan City Council.

With the return of water operations assets, Council has adopted valuation and reporting at fair value with allowance made for accumulated depreciation and impairment as defined in AASB13.

Recognition of the assets

The over arching consideration in determining the appropriate treatment was that the nature of the transaction was a transfer as opposed to a sale and purchase.

Revaluation on acquisition:

Initial assessment of the circumstances may have suggested that the assets should have been brought into account at the Allconnex Water valuation and re-valued via the asset revaluation surplus in Council's accounts. However, Allconnex Water asset valuation was completed using Regulated Asset Base (RAB) Discounted Cash Flow basis, applying the assumptions relevant to Allconnex Water circumstances. It is unlikely that these assumptions would have suited Council's circumstances.

Cost basis:

AASB116 Property, Plant & Equipment requires that an asset must be recognised in the accounts initially at cost, however in the re-transfer of the Allconnex Water assets, no consideration was paid to transfer the assets. Paragraph 15.1 continues with:

"Notwithstanding paragraph 15, in respect of not-for-profit entities, where an asset is acquired at no cost, or for a minimal cost, the cost is its fair value as at the date of acquisition".

Accordingly, assets and liabilities were recognised at fair value on initial recognition as at 1 July 2012. The investment in Allconnex was de-recognised at carrying value (fair value). The difference was recognised in the Statement of Comprehensive Income as a "Gain on reintegration of water operations".

Derecognition of Allconnex Water Investment

It was assumed that the 'cost' of the asset was the value of the investment in Allconnex that was relinquished and so the cost of transfer was the carrying value or fair value of the investment in Allconnex. AASB139 Financial Instruments: Recognition and Measurement paragraph 26 suggests that in an exchange transaction, it is the consideration received (fair value of the assets transferred), that must be used to determine the profit or loss of the exchange, not the value of the asset being relinquished. The resulting difference between the asset fair value and the investment in Allconnex fair value was recognised in the Statement of Comprehensive Income.

The assets extinguished under the re-transfer as disclosed in the 2012 Annual Report was as follows:

	\$000
Investment in Allconnex	251,349
Senior Loan	114,125
Subordinate Loan	91,300
Total	456,774

For the detailed breakdown of the derecognition of Council's investment in Allconnex and the recognition of assets and liabilities in relation to the reintegration of Redland Water, refer Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.y Carbon Pricing

In 2011, the Australian Government introduced a Clean Energy Legislation package. One aspect of this package which has, and will continue to, impact Council directly and indirectly is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy. On 1 July 2012 the Federal Government introduced a Carbon Pricing Mechanism and set a fixed price path for the first three years (\$23 per tonne of CO₂-equivalent emissions adjusted in real terms by 2.5% per annum) before moving to a flexible price mechanism from 1 July 2015. It provides a framework for setting a cap on greenhouse gas emissions by capping the number of carbon units available once the flexible price period commences, which can be adjusted over time to ensure that the government's reduction targets are met.

It is likely that the way this mechanism is priced and/or applies will change following the Australian Federal election. However, this mechanism applies to entities with operating facilities that have emissions greater than 25,000 tonnes of carbon dioxide equivalent per year. Redland City Council does not operate a landfill or any other facility that exceeds this threshold and will not have a direct liability as part of this scheme.

It is generally accepted that there should be recognition of a liability under the carbon pricing mechanism as the emissions from relevant facilities occur. Organic material within waste deposited at landfills takes time to begin decomposing. Waste deposited in 2012-13 will only begin to break down and generate emissions at the start of 2013-14; therefore Council has not recognised a liability for the purchase of carbon permits for these facilities at 30 June 2013. Although the waste deposited in landfills takes over twelve months to begin emitting carbon dioxide, it also continues to generate emissions for the following 40 years.

However, General Mixed Waste generated in Redland City is currently transported outside the city to landfills operated by Brisbane City Council. This Council will have the direct liability for the waste transported from Redland City, the cost of which will be passed on to Council. This could result in an estimated cost of waste disposal amounting to \$1.296m in 2014 (2013 \$1.234m).

The liability that has been estimated is unlikely to be the same as Council's actual liability for 2013-14 due to the nature of estimates and, in particular, the likelihood that the pricing mechanism will change following the federal election.

Council has been impacted and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. The most significant of these will be electricity and fuel. Commonwealth Treasury modelling published in July 2011 in the document "Strong growth, low pollution modelling a carbon price" indicates that the carbon pricing is expected to increase electricity prices by 10% within 5 years from 1 July 2012 and increase other costs by 0.7% on inflation. In addition, fuel tax credits will be progressively reduced over the initial fixed price period.

Council's latest modelling indicates that electricity and fuel is likely to increase as follows:

Year	Electricity	Fuel
	\$000	\$000
2014	252	34
2015	264	35

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. Statement of Functions and Activities

(a) Components of Council functions

As at 30 June 2013, the activities relating to Council's components reported on in Note 3(b) are as follows:-

Governance Department

Governance provides support functions for Council. Its objective is to support the Mayor and Councillors, Council and committee meetings and statutory requirements, which it does through the following groups:

- Chief Executive Office
- Mayor and Councillors
- Internal Audit
- Legal Services
- Corporate Performance and Risk
- Communications
- Community Futures
- Office of the General Manager

City Services Department

City Services responds to areas of Council in relation to operational support. Its objective is to manage the city's community services by providing maintenance of roads and drains, collection and disposal of waste and by providing water and sewerage services. It achieves this through the following groups:

- Community and Cultural Services
- Operations and Maintenance
- Project Delivery
- City Spaces
- City Enterprises
- City Infrastructure
- Office of the General Manager

Redland Water & Waste Department

Redland Water & Waste is responsible for managing the Council's water transport, wastewater transport and treatment and refuse collection and transfer. Its objective is to provide safe and reliable water, wastewater and waste services to the community whilst minimising environmental harm. Redland Water & Waste has the following groups:

- Water demand management
- Water transport to customers
- Wastewater collection and transport
- Wastewater treatment to recyclable levels
- Refuse collection
- Management of transfer stations

Corporate Services Department

Corporate Services is responsible for delivery of the internal services. Its objective is to assist the management of Council by providing services in the following groups:

- Financial Services
- People and Change
- Information Management
- Corporate Acquisitions, Fleet and Facilities
- Strategic Finance and Projects
- Office of the General Manager

Environment, Planning & Development Department

Environment, Planning & Development is responsible for managing the city's development. Its objective is to provide assessment and approval of applications in accordance with legislation and local laws and comprises the following groups:

- Community Standards
- Sustainable Assessment
- City Planning and Environment
- Business and Performance
- Office of the General Manager

Council Restructure

Council undertook a two-phased restructure, the first phase involved the organisation realigned under three General Managers and was put in place by 8 April 2013. The second phase included review and consultation within the new departments and was fully implemented by 1 July 2013, designed to:

- make the organisation more efficient
- be more responsive to the needs of customers
- reduce costs in line with the financial targets in the Financial Strategy
- put like-services together to deliver efficiencies.

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2013

3. Statement of Functions and Activities

(b) Analysis of results by function
 Income, expenses and assets defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2013	Functions	Gross income						Total Income	Gross expenses		Total Expenses	Net result from recurrent operations	Net Result	Total Assets
		Recurrent		Capital		Total	Recurrent		Capital					
		Grants	Other	Grants	Other									
		\$000	\$000	\$000	\$000									
	Governance Department	34	187	70	86	377	(9,829)	(1)	(9,830)	(9,608)	\$000	\$000	655	
	City Services Department	2,900	8,357	4,788	4,771	20,816	(105,107)	(1,523)	(106,630)	(93,850)	(85,814)	1,026,196		
	Redland Water & Waste Department	-	111,520	45	10,740	122,305	(77,095)	19	(77,076)	34,425	45,229	675,253		
	Corporate Services Department	5,435	79,104	113	200,549	285,201	(20,451)	(1,092)	(21,543)	64,088	263,658	395,691		
	Environment, Planning & Development Department	58	13,405	-	-	13,463	(23,345)	(164)	(23,509)	(9,882)	(10,046)	785		
	Total	8,427	212,573	5,016	216,146	442,162	(235,827)	(2,761)	(238,588)	(14,827)	203,574	2,098,580		

Redland Water & RedWaste Department was created on 1 July 2012 following the reintegration of operations.

Year ended 30 June 2012	Functions	Gross income						Total Income	Gross expenses		Total Expenses	Net result from recurrent operations	Net Result	Total Assets
		Recurrent		Capital		Total	Recurrent		Capital					
		Grants	Other	Grants	Other									
		\$000	\$000	\$000	\$000									
	Governance Department	150	104	7	116	377	(9,978)	-	(9,978)	(9,724)	\$000	\$000	2,163	
	City Services Department	3,079	42,645	3,395	16,001	65,120	(119,224)	(2,515)	(121,739)	(73,500)	(56,619)	1,038,700		
	Corporate Services Department	6,245	101,259	-	726	108,230	(23,140)	(363)	(23,503)	84,364	84,727	618,979		
	Environment, Planning & Development Department	176	14,183	42	772	15,173	(23,685)	(65)	(23,750)	(9,326)	(8,577)	204,611		
	Total	9,650	158,191	3,444	17,615	188,900	(176,027)	(2,943)	(178,970)	(6,166)	9,930	1,864,454		

A prior period correction was made to Total Assets, Total Expenses and the Net Result 2012 - refer Note 33.



REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
4 Revenue analysis			
(a) Rates, levies and charges			
General rates		76,726	75,783
Special charges		1,479	1,516
Environment levy		9,844	9,953
Water access		16,432	-
Water consumption		28,770	-
Wastewater		40,999	-
Trade waste		1,286	-
Waste disposal		17,371	15,695
Total rates and utility charges		<u>192,907</u>	<u>102,947</u>
Less pensioner remissions		<u>(2,612)</u>	<u>(2,541)</u>
		<u>190,295</u>	<u>100,406</u>
(b) Fees and charges			
Fines and penalties		558	366
Mooring and parking fees		868	845
Search fees		909	672
Building application fees		1,184	1,364
Development application fees		1,664	1,534
Water and sewerage application fees		309	220
Camping and caravan fees		759	2,424
License fees		1,564	1,829
Commercial collection fees		270	301
Child care fees		1,863	3,460
Other fees and charges		2,654	3,127
		<u>12,602</u>	<u>16,142</u>
(c) Rental income			
Investment property rental		71	166
Other rental income		367	395
		<u>438</u>	<u>561</u>
(d) Interest received			
Interest received from investments		3,574	4,646
Interest from overdue rates and utility charges		665	386
Other interest income		11	9
		<u>4,250</u>	<u>5,041</u>
(e) Sales revenue			
<u>Sale of services</u>			
Recoverable works		1,513	286
Events		155	170
		<u>1,668</u>	<u>456</u>
<u>Sale of goods</u>			
Miscellaneous		4	5
Redlands Performing Arts Centre		36	42
Waste management		624	588
Indigiscapes		334	294
		<u>998</u>	<u>929</u>
Total sales revenue		<u>2,666</u>	<u>1,385</u>
(f) Other recurrent income			
Other income		1,243	884
Commission received		172	216
Recoverable income		556	668
Insurance proceeds		141	52
		<u>2,112</u>	<u>1,820</u>
(g) Income from associate			
Senior and subordinate debt interest		-	14,474
Tax equivalents		-	4,639
Dividends		-	85
Service level agreement and other recoveries		-	4,438
		<u>-</u>	<u>23,636</u>

5 Grants, subsidies and contributions

(a) Recurrent

General purpose government grants	4,815	6,117
State and Commonwealth government subsidies and grants	3,612	3,533
Contributions	211	385
	<u>8,638</u>	<u>10,035</u>

(b) Capital

State and Commonwealth government subsidies and grants	5,016	3,444
Contributions	9,112	3,457
	<u>14,128</u>	<u>6,901</u>

Non-cash contributions	<u>6,547</u>	<u>14,158</u>
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Conditions over contributions

Contributions and grants which were recognised as income during the current reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Transport infrastructure	2,256	137
Other infrastructure	778	486
Water & wastewater infrastructure	4,353	76
Grants and contributions	<u>4,867</u>	<u>1,659</u>
	<u>12,254</u>	<u>2,358</u>

Contributions and grants which were recognised as income during a previous reporting period and were expended during the current reporting period in accordance with Council's obligations:

Road infrastructure	1,433	2,552
Other infrastructure	215	53
Water & wastewater infrastructure	3,765	-
Grants and contributions	<u>2,686</u>	<u>2,358</u>
	<u>8,099</u>	<u>4,963</u>

6 Employee benefits

Total staff wages and salaries	62,100	52,928
Councillors' remuneration	1,193	1,177
Annual leave and long service leave entitlements	6,963	6,654
Superannuation	<u>7,286</u>	<u>6,442</u>
	<u>77,542</u>	<u>67,201</u>
Other employee related expenses	<u>5,266</u>	<u>6,625</u>
	<u>82,808</u>	<u>73,826</u>
Less: Capitalised employee expenses	<u>(4,417)</u>	<u>(5,239)</u>
	<u>78,391</u>	<u>68,587</u>

Councillor remuneration represents salary and superannuation paid in respect of carrying out their duties.

Total Council employees (FTE) at the reporting date:

Elected members	11	11
Administration and indoor staff	687	670
Outdoor staff	<u>183</u>	<u>173</u>
Total full time equivalent employees including elected members	<u>881</u>	<u>854</u>

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
7 Materials and services			
Contractors		35,756	27,708
Consultants		2,036	1,917
Other Council outsourcing costs		11,114	7,624
Purchase of materials		27,788	7,794
Office administration costs		7,574	6,912
Electricity charges		5,350	3,103
Plant operations		7,018	4,339
Information technology resources		1,918	2,375
General insurance		1,467	1,054
Community assistance		1,719	1,478
Audit of annual financial statements by the Auditor-General of Queensland		149	151
Other material and service expenses		1,734	881
Remediation costs for landfill and quarry		(2,736)	(1,559)
		<u>100,887</u>	<u>63,777</u>
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		3,887	3,698
Bank charges		311	320
Bad debts		358	35
Landfill and quarry remediation		1,258	1,423
		<u>5,814</u>	<u>5,476</u>
9 Depreciation and amortisation			
Depreciation of non-current assets			
Buildings		4,468	5,678
Plant and equipment		5,181	5,278
Roads		12,154	11,034
Stormwater drainage		4,787	4,761
Water and wastewater		16,584	-
Parks		4,114	5,667
Other infrastructure		2,574	4,961
Waste		504	429
	18	<u>50,366</u>	<u>37,808</u>
Amortisation of intangible assets			
Software	19	369	379
Total depreciation and amortisation	32	<u>50,735</u>	<u>38,187</u>
10 Loss on disposal of non-current assets			
Proceeds from sale of property, plant and equipment (excluding land)		(743)	(3,854)
Less: book value of property, plant and equipment disposed		<u>2,497</u>	<u>6,583</u>
		1,754	2,729
Proceeds from sale of land		(524)	(317)
Less: book value of land disposed		<u>1,547</u>	<u>524</u>
		1,023	207
Proceeds from sale of non-current assets held-for-sale		(45)	(150)
Less: book value of disposed non-current assets held-for-sale		<u>29</u>	<u>157</u>
		(16)	7
	32	<u>2,761</u>	<u>2,943</u>

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

11 Gain on reintegration of water operations

	<u>Note</u>	<u>Opening book value</u> \$000	<u>Adjustments</u> \$000	<u>Revaluation movement</u> \$000	<u>Final Balances brought to account by RCC</u> \$000
Derecognition of assets					
<u>Non-current assets</u>					
Investment in associate		-	-	-	(251,349)
Financial assets		-	-	-	(205,425)
Total assets derecognised	2 x	<u>-</u>	<u>-</u>	<u>-</u>	<u>(456,774)</u>
Recognition of assets					
<u>Current assets</u>					
Cash and cash equivalents		3,354	(3,153)	-	1
Trade and other receivables		10,935	(106)	-	2
		<u>14,289</u>	<u>(3,259)</u>	<u>-</u>	<u>11,030</u>
<u>Non-current assets</u>					
Property, plant and equipment - additions		443,975	3,410	209,367	3
		<u>443,975</u>	<u>3,410</u>	<u>209,367</u>	<u>656,752</u>
Total assets recognised		<u>458,264</u>	<u>151</u>	<u>209,367</u>	<u>667,782</u>
Recognition of liabilities					
<u>Current liabilities</u>					
Trade and other payables		(74)	24	-	4
Borrowings		(2,843)	-	-	(2,843)
Provisions		(1,877)	-	-	(1,877)
Other liabilities - accrued interest & tax		(5,568)	-	-	(5,568)
Other current liabilities		(184)	-	-	(184)
		<u>(10,546)</u>	<u>24</u>	<u>-</u>	<u>(10,522)</u>
<u>Non-current liabilities</u>					
Developer contributions		(4,678)	4,678	-	5
		<u>(4,678)</u>	<u>4,678</u>	<u>-</u>	<u>-</u>
Total liabilities recognised		<u>(15,224)</u>	<u>4,702</u>	<u>-</u>	<u>(10,522)</u>
Total assets & liabilities recognised		<u>443,040</u>	<u>4,853</u>	<u>209,367</u>	<u>657,260</u>
Total gain on reintegration of water operations					<u>200,486</u>

Adjustments

- 1 Cash paid to Logan City Council after the finalisation of Allconnex derecognition.
- 2 Difference between Allconnex value of receivables and fair value per Council.
- 3 Corrections to Allconnex asset register for additions and disposal not previously reflected in the asset register.
- 4 Reversal of electricity accrual that could not be substantiated.
- 5 Developer contributions in Allconnex that have been transferred to reserves through retained earnings.

Refer to Note 2.x for further background information in relation to the reintegration of water operations.

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2013 **2012**
\$000 \$000

12 Cash and cash equivalents

Cash at bank	1,241	317
Cash on hand	17	20
Deposits at call and term deposits	81,337	84,467
Balance per Statement of Cash Flows	<u>82,595</u>	<u>84,804</u>

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

Unspent government grants and contributions	7,768	5,568
Unspent contributions	17,593	10,943
Total unspent restricted cash	<u>25,361</u>	<u>16,511</u>

Cash is held with the Australia and New Zealand Banking Group in a normal business cheque account. The bank currently has a short term credit rating of A-1+ and a long term credit rating of AA-. Deposits at call are held with Queensland Treasury Corporation which has a short term credit rating of A-1+ and a long term credit rating of AA+.

Council holds three facilities with the Australia and New Zealand Banking Group to facilitate its operational monetary requirements. These facilities and their associated values are:

(1) Commercial Card	\$325,000
(2) Electronic Payway	\$5,000,000
(3) Varied Facility	\$5,050,000

Unrestricted access was available at balance date to the facilities listed above.

13 Trade and other receivables

(a) Current

Rates and utility charges	17,308	4,254
Allconnex-related receivables	-	5,624
Trade debtors	1,625	2,525
Other debtors	412	1,954
Infringement debtors	574	739
GST recoverable	1,093	473
Loans and advances to community organisations	9	16
Less: Allowance for impairment	(91)	(83)
	<u>20,930</u>	<u>15,502</u>

(b) Non-current

Loans and advances to community organisations	-	9
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Interest is charged on outstanding rates at 11% (2012: 11%) per annum. No interest is charged on other debtors. There is no concentration of credit risk interest for rates and utility charges, fees and other receivables. Loans relate to advances made to various sporting and community organisations in the Redland City and are expected to be repaid by year end. All loans are made on an interest free basis and the credit risk on these loans is considered low.

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	(83)	(60)
Impairment debts written off during the year	16	12
Additional impairments recognised	(24)	(35)
Closing balance at 30 June	<u>(91)</u>	<u>(83)</u>

14 Inventories

Inventories held for distribution

Gravel stockpiles	373	389
Plant and equipment stores	570	602
	<u>943</u>	<u>991</u>

All inventories held by Council throughout the financial year were held for distribution. All inventories are valued at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2013

\$000

2012

\$000

15 Non-current assets classified as held-for-sale

Plant and equipment	467	29
	<u>467</u>	<u>29</u>

16 Other current assets

Prepaid registration	82	78
Prepaid insurance	222	150
Prepaid other expenses	931	766
	<u>1,235</u>	<u>994</u>

17 Investment property

Opening balance at 1 July	846	3,876
Disposal of investment property	-	(3,876)
Acquisition of investment property	17	846
Transfer to other non-current asset class	(66)	-
Closing balance at 30 June	<u>797</u>	<u>846</u>

The investment property relates to the investment portion of the Toondah Harbour Business Centre. The Toondah Harbour Business Centre was valued at fair value by Cardno (Qld) Pty Ltd, an independent professionally qualified valuation firm, as at 30 June 2012. Cardno (Qld) Pty Ltd have extensive experience in valuing properties of this nature in the Redland City Council district and surrounding areas.

Fair value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of similar nature and specification.

Income from investment property is shown in Note 4(c).

At the reporting date there was no property being constructed or developed for future use as investment property.

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2013

18 (a) Property, plant and equipment

2013	Note	Land	Buildings	Plant and equipment	Roads	Stormwater drainage	Water and wastewater	Parks	Other infrastructure	Waste	Work in progress	Total
		Revaluation n/a \$000	Revaluation 50 \$000	Cost 3-10 \$000	Revaluation 16-80 \$000	Revaluation 80 \$000	Revaluation 80 \$000	Revaluation 5-15 \$000	Revaluation 5-75 \$000	Revaluation 3-80 \$000	Cost n/a	
Opening gross value 1 July 2012		239,665	120,626	43,750	720,622	395,736	-	89,302	161,132	14,446	16,917	1,800,194
Work in progress expenditure		-	-	-	-	-	-	-	-	-	37,228	37,228
Transfer from WIP to non-current assets		-	-	-	-	-	-	-	-	-	(39,324)	(39,324)
Additions - reintegration of water operations	11	3,387	-	40	-	-	986,538	-	-	-	5,810	995,775
Additions at cost		1,400	2,754	6,246	15,546	2,209	7,772	1,942	865	79	-	38,813
Contributed assets at valuation	5(b)	-	-	13	-	-	6,277	258	-	-	-	6,547
Land acquired in lieu of rates		48	-	-	-	-	-	-	-	-	-	48
Disposals		(1,547)	(7,611)	(3,882)	(2,878)	(101)	(60)	(6,935)	(2,847)	-	-	(25,861)
Revaluation adjustments	26	142	-	-	60,624	-	-	-	-	-	-	60,766
Transfer to assets classified as held-for-sale		-	-	(1,297)	-	-	-	-	-	-	-	(1,297)
Transfer between non-current asset classes		-	-	-	58,296	7	-	(3,680)	-	-	-	-
Transfer from investment property	17	-	66	-	-	-	-	-	-	-	-	66
Closing gross value at 30 June 2013		243,095	115,935	43,869	852,211	397,960	1,000,527	80,888	104,627	14,624	19,630	2,872,964

Accumulated depreciation

Opening balance at 1 July 2012		-	63,110	21,334	224,199	101,412	-	39,639	52,275	4,246	-	496,115
Additions - reintegration of water operations	11	-	-	-	-	-	339,023	-	-	-	-	339,023
Depreciation for the year	9	-	4,468	5,181	12,154	4,787	16,584	4,114	2,574	504	-	50,366
Disposals		-	(7,475)	(3,101)	(1,938)	(27)	-	(6,519)	(2,758)	-	-	(21,818)
Depreciation on revaluation adjustments	26	-	-	-	19,524	-	-	-	-	-	-	19,524
Transfer to assets classified as held-for-sale		-	-	(830)	-	-	-	-	-	-	-	(830)
Transfer between non-current asset classes		-	-	-	17,189	1	-	(1,049)	(16,141)	-	-	-
Accumulated depreciation at 30 June 2013		-	50,103	22,584	271,128	106,173	355,607	36,085	35,950	4,750	-	882,380

Written down value as at 30 June 2013		243,095	65,732	21,286	581,083	291,678	644,920	44,802	68,577	9,774	19,630	1,980,574
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REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

18 (b) Property, plant and equipment - prior year comparative

2012	Note	Land	Buildings	Plant and equipment	Roads	Stormwater drainage	Water and wastewater	Parks	Other infrastructure	Waste	Work in progress	Total
		Revaluation n/a \$000	Revaluation 50 \$000	Cost 3-10 \$000	Revaluation 16-80 \$000	Revaluation 80 \$000	Revaluation 80 \$000	Revaluation 5-15 \$000	Revaluation 5-75 \$000	Revaluation 3-80 \$000	Cost n/a \$000	
		250,837	119,062	41,821	693,284	389,975	-	84,811	166,512	11,612	17,020	1,764,935
	33	-	-	5	8,628	(2)	-	512	692	-	-	9,835
		250,837	119,062	41,826	701,912	389,973	-	85,323	157,204	11,612	17,020	1,774,770
		-	-	-	-	-	-	-	-	-	33,654	33,654
		-	-	-	-	-	-	-	-	-	(34,756)	(34,756)
		2,935	2,784	3,498	12,064	1,466	-	5,157	4,737	2,832	-	35,475
	5(b)	-	-	8	9,166	4,392	-	574	17	-	-	14,158
		5	-	-	-	-	-	-	-	-	-	5
		(524)	(1,244)	(2,357)	(2,691)	(99)	-	(1,783)	(827)	-	-	(9,526)
	26	(13,581)	-	-	-	-	-	-	-	-	-	(13,581)
		-	-	(239)	-	-	-	-	-	-	-	(239)
		(7)	24	-	(10)	4	-	(11)	-	-	-	-
	33	-	-	14	180	-	-	42	-	-	-	236
		239,865	120,626	42,760	720,622	395,735	-	89,302	161,132	14,446	15,917	1,800,195

Accumulated depreciation												
		-	48,414	18,286	211,692	96,868	-	34,825	47,529	3,816	-	461,230
	33	-	-	2	3,452	(1)	-	(79)	211	-	-	3,585
		-	48,414	18,288	215,144	96,867	-	34,745	47,740	3,816	-	464,815
	33	-	5,678	5,276	10,859	4,761	-	5,659	4,952	429	-	37,614
	9	-	-	2	175	-	-	8	9	-	-	194
		-	5,678	5,278	11,034	4,761	-	5,667	4,961	429	-	37,808
		-	(987)	(2,019)	(1,979)	(16)	-	(868)	(426)	-	-	(6,295)
		-	-	(213)	-	-	-	-	-	-	-	(213)
		-	6	-	-	-	-	(5)	-	-	-	-
		-	53,110	21,334	224,199	101,413	-	39,539	52,275	4,246	-	496,115
		239,665	67,516	21,416	496,423	294,322	-	49,763	108,957	10,199	15,917	1,304,080

18 (c) Property, plant and equipment valuations

Property, plant and equipment valuations were determined by reference to the following:

(i) Land

All Council freehold land was comprehensively revalued as at 30 June 2011 by qualified external valuers, AssetVal Pty Ltd (registered valuers - since 1839). The valuation was based on publicly available data on sales of similar land in nearby localities. Subsequently, a desktop valuation was performed by AssetVal Pty Ltd as at 30 June 2012, as the movement in land values across the city indicated a material adjustment.

Land re-transferred to Council from Allconnex Water was valued by qualified external valuers, AssetVal Pty Ltd (registered valuers - since 1839), for determination of the fair value as at 1 July 2012.

As the Valuer-General's 2013 Property Market Movement Report did not indicate a material movement in the asset values for 2012-13 year, no further indexation has been applied to closing balances.

(ii) Buildings

All buildings were valued as at 30 June 2011 by qualified external valuers, AssetVal Pty Ltd (registered valuers - since 1839). Fair value for these assets was assessed to be written down replacement cost and was determined with reference to relevant construction data. Assessment of economic and remaining life was based on historical assessment of similar assets by the valuer and was the basis for determining the depreciated value.

The movement in the ABS Asset Valuation Non-Residential Construction Index (*March Quarter 2013*), has not indicated material movement since this valuation and as a result, further indexation has not been applied.

(iii) Road infrastructure assets

Road assets were valued as at 30 June 2010 by qualified external valuers AssetVal Pty Ltd (registered valuers - since 1839). As these are specialist public service assets that are rarely independently sold, depreciated replacement cost was determined as the most appropriate valuation method. Unit rates were determined with reference to relevant construction data and were applied to the asset specifications. These were depreciated based on economic lives determined through historic assessment of similar assets.

The movement in the ABS Queensland Road and Bridge Index (*March Quarter 2013*) indicated material movement since this previous valuation and as a result, a valuation applying the index movement was completed as at 30 June 2013.

(iv) Stormwater drainage infrastructure assets

Stormwater drainage assets were valued as at 30 June 2010 by qualified external valuers AssetVal Pty Ltd (registered valuers - since 1839). As these are specialist public service assets that are rarely independently sold, depreciated replacement costs was determined as the most appropriate valuation method. Unit rates were determined with reference to relevant construction data and were applied to the asset specifications. The assets were depreciated based on economic lives determined through historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

(v) Water infrastructure assets

Infrastructure assets re-transferred from Allconnex Water were valued as at 1 July 2012 by registered valuers GHD to determine their fair value for initial recognition.

Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold. The assets were depreciated based on economic lives determined through industry standard ranges and historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

(vi) Wastewater infrastructure assets

Infrastructure assets re-transferred from Allconnex Water were valued as at 1 July 2012 by registered valuers GHD to determine their fair value for initial recognition.

Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold. The assets were depreciated based on economic lives determined through industry standard ranges and historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

(vii) Parks infrastructure assets

Parks infrastructure assets were valued as at 30 June 2010 by qualified external valuers AssetVal Pty Ltd (registered valuers - since 1839). Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold. The assets were depreciated based on economic lives determined through industry standard ranges and historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

(viii) Other infrastructure assets

These assets include marine, jetty facilities and seawalls and were valued at 30 June 2010 by qualified external valuers AssetVal Pty Ltd (registered valuers - since 1839). Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold. The assets were depreciated based on economic lives determined through industry standard ranges and historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

(ix) Waste infrastructure assets

All assets were valued as at 30 June 2011 by qualified external valuers, AssetVal Pty Ltd (registered valuers - since 1839). Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold. The assets were depreciated based on economic lives determined through industry standard ranges and historic assessment of similar assets.

The movement in the ABS Asset Revaluation - Engineering Construction Index Queensland (*March Quarter 2013*) has not indicated material movement since this valuation and as a result, further indexation has not been applied.

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
19 Intangible assets			
Software - gross carrying value			
Opening balance at 1 July		8,546	8,413
Additions		<u>982</u>	<u>133</u>
Closing balance at 30 June		9,528	8,546
Accumulated amortisation			
Opening balance at 1 July		(8,193)	(7,814)
Amortisation for the year	9	<u>(369)</u>	<u>(379)</u>
Closing balance at 30 June		(8,562)	(8,193)
Net carrying value at end of financial year		<u>966</u>	<u>353</u>

The software has a finite life estimated at 3 years. Straight-line amortisation has been used with no residual value.

20 Investment in other companies

Investment in associate (Allconnex Water)	11	-	251,348
Investment in SEQ Recreational Facility Pty Ltd		<u>73</u>	<u>73</u>
		<u>73</u>	<u>251,421</u>

21 Financial assets

Senior loan to associate	11	-	114,125
Subordinate loan to associate	11	<u>-</u>	<u>91,300</u>
		<u>-</u>	<u>205,425</u>

22 Trade and other payables

(a) Current

Creditors and accruals		11,607	22,453
Annual leave		<u>5,826</u>	<u>5,129</u>
		<u>17,433</u>	<u>27,582</u>

(b) Non-current

Creditors and accruals		<u>693</u>	<u>1,027</u>
		<u>693</u>	<u>1,027</u>

23 Borrowings

(a) Current

Loans - Queensland Treasury Corporation		4,124	3,498
Loans - other		<u>-</u>	<u>498</u>
		<u>4,124</u>	<u>3,996</u>

(b) Non-current

Loans - Queensland Treasury Corporation		<u>58,978</u>	<u>58,593</u>
		<u>58,978</u>	<u>58,593</u>

Loans - Queensland Treasury Corporation (QTC)

Opening balance at 1 July		62,091	57,652
Loans raised		4,500	7,544
Principal repayments		<u>(3,489)</u>	<u>(3,105)</u>
Closing balance at 30 June		<u>63,102</u>	<u>62,091</u>

The market value of QTC loans at the reporting date was \$69.305m (2012: \$68,884m). This represents the value of debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Loans - other

Opening balance at 1 July		498	-
Loans raised		1,215	495
Principal repayments		<u>(1,713)</u>	<u>-</u>
Interest accrued		<u>-</u>	<u>3</u>
Closing balance at 30 June (this facility was closed 31 May 2013)		<u>-</u>	<u>498</u>

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

Note	2013 \$000	2012 \$000
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23 Borrowings - continued

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

Borrowings are in \$AUD denominated amounts and carried at amortised costs. Interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2022 to 9 January 2027. There have been no defaults or breaches of the loan agreement during the year. Principal and interest repayments are made quarterly in advance and interest is applied at the end of each quarter.

24 Provisions

(a) Current

Quarry rehabilitation	91	93
Landfill rehabilitation	5,747	4,406
Long service leave	583	582
	<u>6,421</u>	<u>5,081</u>

(b) Non-Current

Quarry rehabilitation	729	908
Landfill rehabilitation	33,926	36,564
Long service leave	9,516	8,548
	<u>44,171</u>	<u>46,020</u>

Movements in provisions were as follows:

Quarry rehabilitation

Opening balance at 1 July	1,001	998
Increase in provision - borrowing cost	45	40
Increase/(decrease) in provision due to change in discount rate and costs	(226)	(37)
Closing balance at 30 June	<u>820</u>	<u>1,001</u>

This is the present value of the estimated cost of restoring the quarry site to as near its original condition as possible at the end of its useful life. These costs are expected to be incurred up to 2018.

Landfill rehabilitation

Opening balance at 1 July	40,970	41,109
Increase in provision - borrowing cost	1,212	1,384
Provision utilisation	(7,275)	-
Increase/(decrease) in provision due to change in discount rate and costs	4,766	(1,523)
Closing balance at 30 June	<u>39,673</u>	<u>40,970</u>

This is the present value of the estimated cost of restoring closed landfill sites to as near their original condition as possible. These costs are expected to be incurred up to 2023.

In the 2012-13 financial year, Council revisited the timing of Landfill Remediation provision utilisation. This resulted in an *in-year* reduction of the provision, as opposed to a larger balance date adjustment.

Long service leave

Opening balance at 1 July	9,130	8,531
Long service leave entitlement raised	2,517	1,824
Long service entitlement used/extinguished	(543)	(602)
Long service entitlement paid	(1,005)	(623)
Closing balance at 30 June	<u>10,099</u>	<u>9,130</u>

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
25 Other current liabilities			
Unearned revenue		953	1,072
Unexpended grants		5,409	5,500
		<u>6,362</u>	<u>6,572</u>

The \$5.4 million unexpended grants relates to a deed of agreement between the State Government of Queensland (acting through the Department of Transport and Main Roads) and Council for the dredging of Fison Channel and Toondah Harbour. This work is expected to be completed by 30 June 2014.

26 Asset revaluation surplus

Asset revaluation surplus analysis:

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land	68,339	69,273
Buildings	27,142	27,142
Plant and equipment	105	105
Roads	307,394	266,295
Stormwater drainage	85,233	85,233
Parks	35,944	35,944
Other infrastructure	35,899	35,899
Waste	6,697	6,697
	<u>566,753</u>	<u>526,588</u>

Movements in the asset revaluation surplus were as follows:

Opening balance at 1 July	526,588	540,499
Net adjustment to non-current assets at end of year to reflect a change in current fair value:		
Land	142	(13,581)
Roads	41,100	-
Net increase/(decrease) in fair value	<u>41,242</u>	<u>(13,581)</u>
Transfer to retained earnings - revalued component of disposed assets	(1,077)	(330)
Closing balance at 30 June	<u>566,753</u>	<u>526,588</u>

27 Reserves

Reserves held for future expenditure:

Special Projects Reserve	10,228	9,867
Special Capital Projects Reserve	3,317	1,931
Cleansing Reserve	2,497	2,103
Constrained Works Reserve	21,336	15,221
Separate Charge Reserve - Environment	14,027	9,563
Special Charge Reserve - Canals	4,347	3,067
Constrained Works Recurrent Reserve	4,005	1,260
	<u>59,757</u>	<u>43,012</u>

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

27 Reserves - continued

Movements in reserves are analysed as follows:

Year ended 30 June 2013

	Balance at beginning of financial year	Transfers from retained surplus for future expenditure	Transfers to retained surplus, funds expended during the year	Balance at end of financial year
	\$000	\$000	\$000	\$000
Special Projects Reserve	9,867	1,355	(994)	10,228
Special Capital Projects Reserve	1,931	2,100	(714)	3,317
Cleansing Reserve	2,103	661	(267)	2,497
Constrained Works Capital Reserve	15,221	15,496	(9,381)	21,336
Separate Charge Reserve - Environment	9,563	9,952	(5,488)	14,027
Special Charge Reserve - Other	-	114	(114)	-
Special Charge Reserve - Canals	3,067	1,879	(599)	4,347
Constrained Works Recurrent Reserve	1,260	3,074	(329)	4,005
	43,012	34,631	(17,886)	59,757

Year ended 30 June 2012

	Balance at beginning of financial year	Transfers from retained surplus for future expenditure	Transfers to retained surplus, funds expended during the year	Balance at end of financial year
	\$000	\$000	\$000	\$000
Special Projects Reserve	11,336	1,626	(3,095)	9,867
Special Capital Projects Reserve	567	1,471	(107)	1,931
Cleansing Reserve	2,790	271	(958)	2,103
Constrained Works Capital Reserve	15,864	4,181	(4,824)	15,221
Separate Charge Reserve - Environment	6,278	9,953	(6,668)	9,563
Special Charge Reserve - Other	-	193	(193)	-
Special Charge Reserve - Canals	1,694	1,944	(571)	3,067
Constrained Works Recurrent Reserve	3,243	203	(2,186)	1,260
	41,772	19,842	(18,602)	43,012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2013

2012

\$000

\$000

28 Commitments

Operating leases

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

Within 1 year	1,010	509
1 to 5 years	1,339	1,523
Greater than 5 years	571	-
	<u>2,920</u>	<u>2,032</u>

Operating contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Roadworks	649	1,543
Water and wastewater	3,269	-
Waste	31,147	37,093
Other	5,728	7,102
	<u>40,793</u>	<u>45,738</u>

These expenditures are payable:

Within 1 year	21,077	18,649
1 to 5 years	19,716	27,088
	<u>40,793</u>	<u>45,737</u>

Capital contractual commitments

Commitments for the construction of the following assets contracted for at year end but not recognised as liabilities:

Roadworks	94	49
Water and wastewater	1,347	-
Waste	10	118
Other	4,869	4,948
	<u>6,320</u>	<u>5,115</u>

These expenditures are payable:

Within 1 year	<u>6,320</u>	<u>5,115</u>
	<u>6,320</u>	<u>5,115</u>

Note: All commitments are inclusive of GST

29 Contingent liabilities and contingent assets

Contingent liabilities:

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

WorkCover self-insurer liability

The estimated claims liability for Council as a self-insurer under the *Workers Compensation and Rehabilitation Act 2003* ('the Act') as at 30 June 2013 is \$1,253,000 (2012: \$1,495,000) where estimated claims liability as defined in Section 84 of the Act. The Actuary has recommended that a provision be recognised for \$1,319,000 (2012: \$1,470,000) for the total estimated claims liability. Council has in place a bank guarantee with the ANZ Banking Group Ltd for \$5,000,000 (2012: \$5,000,000).

Other claims

The Quandamooka-Redland City Council Indigenous Land Use Agreement (ILUA) sets out broad principles and mechanisms for how parties will work together and meet their respective responsibilities for mutual benefits in accordance with the *Native Title Act 1994*. The ILUA establishes native title validation and consultation for Council's projects and a framework for other policies, programmes and initiatives for the mutual benefit of parties and local community.

Landfill Remediation

Council has historically recognised, and continues to recognise, a provision for the remediation of former landfill sites throughout the city. Over the coming 12 months during the 2013-14 financial year, additional planning and work will take place in order to reconfirm the longer term remediation requirements for landfill sites. Given this review and looking forward, remediation works may be greater than currently provided. However, the full cost cannot be measured reliably until the revised programme is estimated and assessed through prudence and efficiency measures.

Contingent assets:

Council has no contingent assets at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2013

30 Superannuation

Redland City Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as the City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund, the Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.

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

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial valuation will be conducted as at 1 July 2015.

	2013	2012
	\$000	\$000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	7,286	6,417
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of councillors was:	124	125

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
31 Trust funds			
Monies collected or held on behalf of other entities, yet to be paid out to or on behalf of those entities.		7,829	8,675
Council performs only a custodial role in respect of these monies. Council separately accounts for all trust funds through a dedicated trust ledger and within a separate account whereby balances are excluded from the Statement of Financial Position.			
32 Reconciliation of net result for the year to net cash flows from operating activities			
Net result		203,574	9,930
<u>Non-cash operating items</u>			
Depreciation and amortisation	9	50,735	38,187
Non-cash contributions	5(b)	(6,547)	(14,158)
Allowance for impairment		8	23
Land acquired in lieu of rates		(48)	(5)
Non-cash gain on reintegration of water operations		(203,128)	-
		(158,980)	24,047
<u>Investing and development activities</u>			
Net loss on disposal of non-current assets	10	2,761	2,943
Capital grants, subsidies and contributions	5(b)	(14,128)	(6,901)
Allconnex Water investment returns		-	(13,286)
Share of profit in associate		-	(8,815)
Allconnex Water debt allocation		2,843	-
		(8,524)	(26,059)
<u>Changes in operating assets and liabilities</u>			
(Increase)/decrease in trade and other receivables		5,385	475
(Increase)/decrease in other current assets and inventories		(193)	309
Increase/(decrease) in trade and other payables		(16,084)	4,626
Increase/(decrease) in provisions		(2,386)	388
Increase/(decrease) in other current liabilities		(394)	5,475
		(13,672)	11,273
Net cash inflow from operating activities		22,398	19,191

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

3.3 Correction of errors

In the process of preparing the financial statements for the year ended 30 June 2013, adjustments relating to prior periods were required to accurately reflect the balances of the comparative periods. The errors have been corrected by adjusting the opening balances at 1 July 2011 where necessary and the comparative amounts for the year ended 30 June 2012. Details of corrections are provided below.

Property, plant and equipment:

- Plant and equipment**
 Recognition of assets identified during stocktake that had not previously been identified.
- Total plant and equipment**
- Parks infrastructure**
 Derecognition of duplicate assets identified during stocktake and assets not owned by RCC.
 Spatial data verification for pathway assets not previously recognised and corrections to existing assets.
 Reinstatement of assets decommissioned in error in 2009-10 financial year.
- Total Parks infrastructure**
- Roads infrastructure**
 Derecognition of duplicate assets and private asset identified during stocktake.
 Spatial data verification for pathway assets not previously recognised and corrections to existing assets.
 Correction to the value of crash barriers as a result of a system configuration.
 Reinstatement of assets decommissioned in error in 2009-10 financial year.
- Total Roads infrastructure**
- Other infrastructure**
 Derecognition of duplicate assets identified during stocktake.
 Recognition of assets identified during stocktake that had not previously been identified.
- Total Other infrastructure**
- Stormwater infrastructure**
 Derecognition of assets incorrectly captured which was identified during stocktake.
- Total Stormwater infrastructure**

Trade and other receivables (current):

- Rates and utility charges
- Alignment of financial data to rates peripheral system.
- Alignment of financial data to sundry debtor peripheral system.

Trade and other payables (current):

- Creditors and accruals
- Fire levy collection owing to Queensland Fire Service
- Total correction of errors**

	Impact to 1 July 2011 Opening Balance		Impact in year 2011-2012		Cumulative Net Value
	Gross value	Accumulated Depreciation	Gross value	Accumulated Depreciation	
	\$000	\$000	\$000	\$000	\$000
	5	(2)	14	(2)	15
	5	(2)	14	(2)	15
	(861)	458	-	29	(373)
	1,003	(298)	26	(20)	710
	62	(7)	-	(3)	52
	308	(74)	17	(15)	236
	612	79	42	(8)	625
	(212)	80	-	1	(131)
	7,287	(2,676)	114	(149)	4,576
	606	(569)	-	(4)	33
	41	(26)	-	(1)	14
	905	(260)	65	(23)	688
	8,628	(3,452)	180	(175)	5,181
	(8)	3	-	-	(5)
	700	(214)	-	(9)	477
	692	(211)	-	(9)	472
	(2)	1	-	-	(1)
	(2)	1	-	-	(1)
	9,836	(3,684)	236	(194)	6,292
		573			573
		(46)			(46)
		527			527
		(2)			(2)
		6,776			6,817



REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

33 Correction of errors - continued

A restated Statement of Financial Position and Statement of Comprehensive Income has been included in the financial statements as at 1 July 2011 and 30 June 2012 to reflect these adjustments:

	Previously stated	Adjustment	Restated
	\$000	\$000	\$000
1 July 2011			
Trade and other receivables	15,475	527	16,002
Total Current Assets	90,413	527	90,940
Property, plant and equipment	1,303,705	6,250	1,309,955
Total Non-Current Assets	1,756,238	6,250	1,762,488
TOTAL ASSETS	1,846,651	6,777	1,853,428
Trade and other payables	24,386	2	24,388
Total Current Liabilities	32,383	2	32,385
TOTAL LIABILITIES	134,192	2	134,194
NET COMMUNITY ASSETS	1,712,459	6,775	1,719,234
Retained surplus	1,130,188	6,775	1,136,963
TOTAL COMMUNITY EQUITY	1,712,459	6,775	1,719,234
30 June 2012			
Trade and other receivables	14,975	527	15,502
Total Current Assets	101,793	527	102,320
Property, plant and equipment	1,297,788	6,292	1,304,080
Total Non-Current Assets	1,755,842	6,292	1,762,134
TOTAL ASSETS	1,857,635	6,819	1,864,454
Trade and other payables	27,580	2	27,582
Total Current Liabilities	43,229	2	43,231
TOTAL LIABILITIES	148,869	2	148,871
NET COMMUNITY ASSETS	1,708,766	6,817	1,715,583
Retained surplus	1,139,166	6,817	1,145,983
TOTAL COMMUNITY EQUITY	1,708,766	6,817	1,715,583

The depreciation charge for the period ended 30 June 2013 was calculated after the errors were discovered and therefore did not need correction. The impact to the Statement of Comprehensive Income in the prior year is as follows:

	Previously stated	Adjustment	Restated
	\$000	\$000	\$000
30 June 2012			
Materials and services	(64,013)	236	(63,777)
Depreciation and amortisation	(37,993)	(194)	(38,187)
Total recurrent expenses	(176,069)	42	(176,027)
TOTAL EXPENSES	(179,012)	42	(178,970)
NET RESULT	9,888	42	9,930
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(3,693)	42	(3,651)

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

34 Events after the reporting period

There were no events after the reporting period.

35 Financial instruments

Redland City Council is exposed to various financial risks including credit risk, interest rate risk and liquidity risk. Overall Council manages financial risk with the aim of minimising potential adverse impacts on the performance of the Council.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Council. Council minimises its exposure to financial risk, described below:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. Council does not invest in derivatives or other high risk investments.

When Council borrows, it borrows from the Queensland Treasury Corporation. Borrowing by Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

Council's objectives, policies and processes for managing risk and the methods used to measure the risk have not changed since 2009. Council does not hold funds in foreign currency and so does not have exposure to currency risk.

(a) Credit risk exposure

Credit risk exposure refers to the situation where Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

In the case of rates receivables, Council has the power to sell the property to recover any defaulted amounts. In effect this power protects Council against credit risk in the case of these debts.

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

Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC). Funds are held in a managed portfolio that invests in a wide range of high rating counterparties. QTC's credit rating of AA+ is in line with the State Government's credit rating. Funds deposited with QTC present relatively low risk exposure.

The total credit risk exposure on financial assets is generally the carrying amount, net of allowance for impairment which is represented in the fair values table below (refer Note 35 (d)).

Council has no major concentration of credit risk to any single debtor or group of debtors however, due to the nature of Council's operations there is a geographical concentration of risk in the Council's area.

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

Past due or impaired

No financial assets have been renegotiated to prevent them from being past due or impaired and are stated at their carrying value. The following table represents an analysis of the ageing of Council's financial assets that are either fully performing, past due or impaired.

Ageing Analysis 2013	Fully performing	Past due			Impaired	Total
	\$000	30-60 days \$000	61-90 days \$000	>90 days \$000	\$000	\$000
Receivables	13,714	233	3,238	3,836	(91)	20,930

Ageing Analysis 2012	Fully performing	Past due			Impaired	Total
	\$000	30-60 days \$000	61-90 days \$000	>90 days \$000	\$000	\$000
Receivables	10,627	1,907	36	3,015	(83)	15,502

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

(b) Liquidity Risk

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

Council reviews liquidity risk indicators regularly and maintains sufficient cash on demand to meet operating and financing obligations for between 90 and 120 days, excluding the impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. Council can recall funds invested with QTC within a working day to cover unexpected volatility in cash flows.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$000	\$000	\$000	\$000	\$000
2013					
Payables	17,433	693	-	18,126	18,126
Loans - QTC	7,958	31,810	47,487	87,255	63,102
	25,391	32,503	47,487	105,381	81,228
2012					
Payables	27,582	1,027	-	28,609	28,609
Loans - QTC	7,354	29,848	51,266	88,468	65,947
	34,936	30,875	51,266	117,077	94,556

Unrestricted access was available at balance date to the lines of credit listed below:

	2013	2012
	\$000	\$000
Bank overdraft facility	5,000	5,000

(c) Interest Rate Risk

Council is exposed to interest rate risk through borrowings and investments with QTC. The risk in borrowings is managed by borrowing through QTC and therefore having access to a mix of funding sources. The investments Council has made through QTC are capital assured and so there is no risk exposure to capital invested. Council does not enter into any hedging of interest rate risk.

Interest Rate Sensitivity Analysis

The following sensitivity analysis shows the increase to profit from investments should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of the year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction. Interest on financial liabilities is fixed, so liabilities have no sensitivity to fluctuations in interest rates.

Sensitivity analysis	Net Carrying Amount		Profit		Equity	
	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets	826	848	826	848	826	848
Financial liabilities	-	-	-	-	-	-
Increase to profit with a 1% increase in interest	826	848	826	848	826	848

REDLAND CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

35 Financial instruments - continued

(d) Fair value

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities of Council approximates their carrying amounts.

Financial Instruments	Note	Floating interest rate		Fixed interest rate		Non-interest bearing		Total	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial assets									
Cash and cash equivalents	12	82,578	84,784	-	-	17	20	82,595	84,804
Receivables (fixed 11%)	13	-	-	17,307	4,255	3,623	11,256	20,930	15,511
Senior debt ** (fixed 6.67%)	21	-	-	-	114,125	-	-	-	114,125
Subordinate debt ** (fixed 7.51%)	21	-	-	-	91,300	-	-	-	91,300
		82,578	84,784	17,307	209,680	3,640	11,276	103,525	305,740
Effective interest rate		3.60%	4.12%	11.00%	11.00%	-	-		
Financial liabilities									
Payables	22	-	-	-	-	18,126	28,609	18,126	28,609
Loans - QTC *	23	-	498	63,102	62,091	-	-	63,102	62,589
		-	498	63,102	62,091	18,126	28,609	81,228	91,198
Weighted average interest rate		5.6%	0.0%	6.4%	6.5%	-	-		
Net financial assets		82,578	84,286	(45,795)	147,589	(14,486)	(17,333)	22,297	214,542

* QTC denotes Queensland Treasury Corporation ** To associate company Allconnex Water (prior year)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

36 National Competition Policy

Code of Competitive Conduct

Business activities to which the code of competitive conduct is applied

A local government must apply the code of competitive conduct to the following business activities:

- (a) a building certifying activity;
- (b) a roads activity, other than a roads activity for which business is conducted only through a sole supplier arrangement.

A local government may decide to apply the code of competitive conduct to any other business activity.

Application of the code of competitive conduct requires:

- (a) the application of the competitive neutrality principle, by removing or taking into account any competitive advantage or disadvantage when deciding charges for goods or services;
- (b) applying full cost pricing when deciding charges for goods or services, or charging for commercial reasons;
- (c) treating the net cost of performing community service obligations as revenue, except for particular roads activities;
- (d) as part of a local government's financial reporting:
 - (i) that the local government's budget contains an estimated activity statement for each business activity; and
 - (ii) that the local government's annual financial statement contains an activity statement for each business activity.

The activity statement for each business activity must state:

- (a) the revenue from the business activity; and
- (b) the expenses for the business activity; and
- (c) the surplus or deficit for the financial year; and
- (d) if community service obligations were carried on:
 - (i) a description of the community service obligations; and
 - (ii) the cost of carrying out the community service obligations, minus the revenue from the community service obligations.

A Community Service Obligation (CSO) is an obligation the local government imposes on a business entity to do something that is not in the commercial interests of the business entity to do.

For 2012-13, Council resolved to apply the Code of Competitive Conduct to the following business activities.

Water and wastewater	Fleet Leasing and Operations
Waste Management	Caravan Parks and Camping
Redland Art Gallery	Building Certification
School Age Care	Redland Performing Arts Centre (RPAC)
Cemeteries	Marine Transport

Financial performance of activities subject to code of competitive conduct: Significant Business Activities

	Water and wastewater	Waste Management
	2013 \$000	2013 \$000
Revenue for services provided to Council	1,779	755
Revenue for services provided to external clients	89,435	18,785
Community service obligations	366	1,798
	91,580	21,338
Less: Expenditure	74,065	19,422
Operating surplus	17,515	1,916

Financial performance of activities subject to code of competitive conduct: Prescribed Business Activities

	Redland Art Gallery	Cemeteries	Building Certification	RPAC
	2013 \$000	2013 \$000	2013 \$000	2013 \$000
Revenue for services provided to Council	-	-	16	48
Revenue for services provided to external clients	5	354	231	412
Community service obligations	-	-	55	80
Contribution from general fund	672	-	321	1,559
	677	354	623	2,099
Less: Expenditure	677	354	623	2,099
Operating surplus/(deficit)	-	-	-	-

During the financial year Council exited the Caravan Parks and Camping and School Age Care business activities.

During the financial year Council resolved that Marine and Fleet Operations no longer be considered business activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Financial performance of activities subject to code of competitive conduct: Businesses removed during the year

NOTE: These figures are for the period until cessation only.

Revenue for services provided to Council
 Revenue for services provided to external clients
 Community service obligations
 Contribution from general fund

Less: Expenditure
 Operating surplus/(deficit)

Caravan Parks & Camping	School Age Care	Fleet Leasing & Operations	Marine Transport
October 2012 \$000	January 2013 \$000	June 2013 \$000	June 2013 \$000
2	-	5,852	-
842	1,873	77	951
-	-	-	-
2,475	283	-	40
3,319	2,156	5,929	991
3,319	2,156	5,929	991
-	-	-	-

Description of Community Service Obligations (CSOs) and Contribution from General Fund to business activities:

Activities	CSO Description	Actual \$000
Water and wastewater	CSOs	
	Water not-for-profit	91
	Wastewater not-for-profit	275
		366
Waste Management	Clean Up Australia Day	2
	Birkdale Sanitary Landfill - Gate Waiver Fees	14
	North Stradbroke Island Transfer Station	477
	Kerbside Recycling	7
	Kerbside Waste Collection	13
	Kerbside Bin Exchange	22
	Russell Island Transfer Station	473
	Macleay Island Transfer Station	392
	Lamb Island Transfer Station	128
	Karragarra Island Transfer Station	106
	Coochiemudlo Island Transfer Station	164
	1,798	
Redland Art Gallery	<i>Contribution from General Fund</i>	672
	Cost to provide the opportunity to community groups to display and sell their art works	672
Building Certification Services	CSOs	55
	Delivery of professional advice at customer service points	
	Professional advice by phone or in written form to the community	
	Discounted certifications on the islands	
	Professional support to other Council areas	
<i>Contribution from General Fund</i>	321	
	376	
Redland Performing Arts Centre	CSOs	
	Discounts offered on commercial ticketing	80
	<i>Contribution from General Fund</i>	1,559
	Council's investment in the cultural life of the city and its community via: - developing performing arts practice for community organisations - providing a venue to enable growth in skills and performance capability - providing different artistic forms/genres to enhance access to the performing arts - providing a focal place for the community to celebrate its diversity and undertake civic functions	
	1,639	
Caravan Parks and Camping	<i>Contribution from General Fund</i>	2,475
	Includes cost of providing discounts and other services to the community such as: - discounts to school groups and other group bookings - refunds to customers due to cancellations of bookings from inclement weather conditions	
	2,475	
School Age Care	<i>Contribution from General Fund</i>	283
	283	
Marine Transport	<i>Contribution from General Fund</i>	40
		40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

36 National Competition Policy (continued)

Outgoing Business Activities

During 2012-2013 Caravan Parks and Camping (Straddie Holiday Parks) transitioned to the Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) and School Age Care transitioned to an outside provider.

For the 2013-2014 financial year, Council has determined that Fleet Leasing and Operations will no longer be considered to be subject to the code of competitive conduct as all transactions are of an internal nature.

During the 2013-2014 deliberations, it was also determined that Marine Transport Operations would no longer be considered to be subject to the code of competitive conduct following the disbanding of the City Enterprises Group and the movement to focus on core services and away from commercial revenue opportunities.

Anticipated changes to Business Activities for 2013-2014

It is expected that there will be no new Business Activities to which the Code of Competitive Conduct (CCC) will be applied for the 2013-2014 year.

**REDLAND CITY COUNCIL
FINANCIAL STATEMENTS
For the year ended 30 June 2013**

**MANAGEMENT CERTIFICATE
For the year ended 30 June 2013**

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

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

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

(ii) the general purpose financial statements present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor
Karen Williams

Date: 15 / 10 / 13



Chief Executive Officer
William Harold Lyon

Date: 15 / 10 / 13

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Redland City Council

Report on the Financial Report

I have audited the accompanying financial report of Redland City Council, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Redland City Council for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



P J FLEMMING CPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

REDLAND CITY COUNCIL
CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT
 For the year ended 30 June 2013

Measures of Financial Sustainability

Council's performance at 30 June 2013 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	(6.71%)	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	26.95%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	14.49%	Below 60%

Note 1 - Basis of Preparation

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

Certificate of Accuracy

For the year ended 30 June 2013

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.



Mayor
 Karen Williams

Date: 15, 10, 13



Chief Executive Officer
 William Harold Lyon

Date: 15, 10, 13

REDLAND CITY COUNCIL
LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT
 Prepared as at 30 June 2013

Measures of Financial Sustainability

Measure	Target	Projected for the years ended										
		30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	
Operating surplus ratio	Between 0% and 10%	(6.71%)	0.14%	0.24%	0.38%	0.20%	0.33%	1.20%	2.61%	4.07%	5.52%	
Asset sustainability ratio	Greater than 90%	26.95%	41.81%	49.83%	56.03%	45.22%	58.02%	62.22%	52.95%	69.13%	57.03%	
Net financial liabilities ratio	Below 60%	14.49%	20.84%	30.90%	32.12%	32.62%	32.50%	31.28%	25.71%	20.66%	14.87%	

Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the 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.

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2013

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 long-term financial sustainability statement has been accurately calculated.



Mayor
 Karen Williams

Date: 15/10/13



Chief Executive Officer
 William Harold Lyon

Date: 15/10/13

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Redland City Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Redland City Council for the year ended 30 June 2013, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Redland City Council, for the year ended 30 June 2013, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



P J FLEMMING CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane