

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



General Purpose Financial Statements
for the year ended 30 June 2020

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Ipswich City Council

Statements of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Income					
Revenue					
Recurrent revenue					
Rates, levies and charges	3a	202,407	203,065	202,407	203,609
Fees and charges	3b	28,861	30,564	28,861	30,575
Sales revenue		3,659	3,341	3,659	3,341
Grants, subsidies, contributions and donations	3c	12,769	11,978	12,769	11,978
Total recurrent revenue		247,696	248,948	247,696	249,503
Capital revenue					
Grants, subsidies, contributions and donations	3c	163,995	89,027	163,995	89,027
Total capital revenue		163,995	89,027	163,995	89,027
Other income					
Interest received	4b	4,534	5,434	4,529	5,401
Share of net result of associate	12	27,331	29,318	-	-
Other income	4a	19,169	20,220	38,602	45,771
Capital income	5	1,068	40,570	1,068	40,557
Total other income		52,102	95,542	44,199	91,729
Total income		463,793	433,517	455,890	430,259
Expenses					
Recurrent expenses					
Employee benefits	6	99,698	95,567	99,698	94,972
Materials and services	7	104,160	105,420	104,154	102,725
Finance costs	8	13,656	12,841	13,656	15,666
Depreciation and amortisation:					
- Property, plant and equipment	14	65,941	61,466	65,941	61,460
- Intangible assets		6,470	6,324	6,470	6,324
- Right of use assets	16	722	-	722	-
Total recurrent expenses		290,647	281,618	290,641	281,147
Other expenses					
Capital expenses		9,491	4,105	9,491	2,605
Total other expense		9,491	4,105	9,491	2,605
Total expenses		300,138	285,723	300,132	283,752
Net result		163,655	147,794	155,758	146,507
Other comprehensive income					
Items that will not be reclassified to net result					
Increase/(decrease) in asset revaluation surplus	14	55,819	(1,884)	55,819	(1,884)
Share of comprehensive income of associates		(109)	21	-	-
Share of other prior period adjustment on donated assets		1,938	-	-	-
Total other comprehensive income for the year		57,648	(1,863)	55,819	(1,884)
Total comprehensive income for the year		221,303	145,931	211,577	144,623

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

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

* 2019 balances have been restated to reflect the adjustments detailed in Note 14.

Ipswich City Council

Statements of Financial Position

as at 30 June 2020

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9a	153,483	181,330	153,035	180,734
Investments	9b	47,000	62,000	47,000	62,000
Receivables	10	22,926	26,393	22,998	26,338
Inventories		1,225	765	1,225	1,065
Contract assets	15	263	-	263	-
Other financial assets		3,324	2,897	3,324	2,893
Non-current assets held for sale	11	20,650	1,370	20,650	1,370
Total current assets		248,871	274,755	248,495	274,400
Non-current assets					
Associates	9b	430,227	420,499	310,390	310,390
Investment property	13	15,604	17,135	15,604	17,135
Property, plant and equipment	14	2,708,381	2,427,117	2,708,381	2,427,117
Right of use assets	16	5,246	-	5,246	-
Intangible assets		24,519	25,125	24,519	25,125
Total non-current assets		3,183,977	2,889,876	3,064,140	2,779,767
TOTAL ASSETS		3,432,848	3,164,631	3,312,635	3,054,167
LIABILITIES					
Current liabilities					
Payables	17	40,402	24,237	40,385	24,243
Contract liabilities	15	571	-	571	-
Borrowings	18	33,099	26,644	33,099	26,644
Lease liabilities	16	640	-	640	-
Provisions	19	21,821	19,940	21,821	19,940
Other liabilities	20	6,140	15,963	6,140	15,963
Total current liabilities		102,673	86,784	102,656	86,790
Non-current liabilities					
Payables	17	23	61	23	61
Borrowings	18	311,084	287,585	311,084	287,585
Lease liabilities	16	4,007	-	4,007	-
Provisions	19	2,394	2,677	2,394	2,677
Other liabilities	20	1,395	2,273	1,395	2,273
Total non-current liabilities		318,903	292,596	318,903	292,596
TOTAL LIABILITIES		421,576	379,380	421,559	379,386
Net community assets		3,011,272	2,785,251	2,891,076	2,674,781
COMMUNITY EQUITY					
Asset revaluation surplus		538,786	482,967	538,786	482,967
Retained surplus/(deficiency)		2,472,486	2,302,284	2,352,290	2,191,814
Total community equity		3,011,272	2,785,251	2,891,076	2,674,781

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

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

2019 balances have been restated to reflect the adjustments detailed in Note 14.

Ipswich City Council

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

Consolidated		Asset revaluation surplus \$'000	Retained surplus \$'000	Total equity \$'000
	Notes			
2020				
Opening balance		482,967	2,302,284	2,785,251
Assets not previously recognised		-	9,385	9,385
Adjustment on initial application of AASB 15 / AASB 1058	26	-	(4,577)	(4,577)
Adjustment on initial application of AASB 16	26	-	(90)	(90)
Revised opening balance (as at 1/7/19)		482,967	2,307,002	2,789,969
Net result		-	163,655	163,655
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	14	55,819	-	55,819
- Share of other comprehensive income of associates	12	-	(109)	(109)
- Share of other prior period adjustment on donated assets	12	-	1,938	1,938
Other comprehensive income		55,819	1,829	57,648
Total comprehensive income		55,819	165,484	221,303
Balance as at 30 June 2020		538,786	2,472,486	3,011,272

Consolidated		Asset revaluation surplus \$'000	Retained surplus \$'000	Total equity \$'000
	Notes			
2019				
Opening balance		484,851	2,149,196	2,634,047
Correction of prior period errors	14	-	4,598	4,598
Assets not previously recognised		-	698	698
Adjustment on initial application of AASB 9		-	(23)	(23)
Revised opening balance (as at 1/7/18)		484,851	2,154,469	2,639,320
Net Result for the Year (as per last year's audited accounts)		-	148,438	148,438
Correction of prior period errors	14	-	(644)	(644)
Revised Net result		-	147,794	147,794
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	14	(1,884)	-	(1,884)
- Share of other comprehensive income of associates		-	21	21
Total comprehensive income		(1,884)	147,815	145,931
Balance as at 30 June 2019		482,967	2,302,284	2,785,251

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

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

Ipswich City Council

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

Council		Asset revaluation surplus \$'000	Retained surplus \$'000	Total equity \$'000
	Notes			
2020				
Opening balance		482,967	2,191,814	2,674,781
Assets not previously recognised		-	9,385	9,385
Adjustment on initial application of AASB 15 / AASB 1058	26	-	(4,577)	(4,577)
Adjustment on initial application of AASB 16	26	-	(90)	(90)
Revised opening balance (as at 1/7/19)		482,967	2,196,532	2,679,499
Net result		-	155,758	155,758
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	14	55,819	-	55,819
Total comprehensive income		55,819	155,758	211,577
Balance as at 30 June 2020		538,786	2,352,290	2,891,076

Council		Asset revaluation surplus \$'000	Retained surplus \$'000	Total equity \$'000
	Notes			
2019				
Opening Balance		484,851	2,040,034	2,524,885
Correction of prior period errors	14	-	4,598	4,598
Assets not previously recognised		-	698	698
Adjustment on initial application of AASB 9			(23)	(23)
Revised opening balance (as at 1/7/18)		484,851	2,045,307	2,530,158
Net Result for the Year (as per last year's audited accounts)		-	147,151	147,151
Correction of prior period errors	14	-	(644)	(644)
Revised Net Result		-	146,507	146,507
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	14	(1,884)	-	(1,884)
Total comprehensive income		(1,884)	146,507	144,623
Balance as at 30 June 2019		482,967	2,191,814	2,674,781

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

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

Ipswich City Council

Statements of Cash Flows

for the year ended 30 June 2020

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Cash flows from operating activities					
Receipts from customers		238,566	252,108	239,297	275,698
Payments to suppliers and employees		(193,158)	(195,954)	(193,737)	(206,261)
		45,408	56,154	45,560	69,437
Receipts:					
Interest received		4,782	5,272	4,777	5,239
Non capital grants and contributions		12,769	11,978	12,769	11,978
QUU tax equivalents and participation return		29,401	30,235	29,401	30,235
Payments:					
Borrowing costs		(13,797)	(12,714)	(13,797)	(12,714)
Net cash - operating activities	24	78,563	90,925	78,710	104,175
Cash Flows from investing activities					
Receipts:					
Proceeds from sale of property, plant and equipment		1,633	2,597	1,633	2,496
Distributions received from controlled entities		-	-	-	750
Grants, subsidies, contributions and donations		28,641	25,795	28,641	25,795
Payments:					
Net transfer (to) from cash investment		15,000	7,000	15,000	7,000
Payments for investment property		(735)	-	(735)	-
Payments for property, plant and equipment		(178,517)	(94,274)	(178,516)	(93,713)
Payments for intangible assets		(1,746)	(8,131)	(1,746)	(8,131)
Contributions paid to controlled entities		-	-	-	(8,900)
Net cash - investing activities		(135,724)	(67,013)	(135,723)	(74,703)
Cash flows from financing activities					
Receipts:					
Proceeds from borrowings		57,100	101,000	57,100	101,000
Payments:					
Repayment of borrowings		(27,146)	(20,339)	(27,146)	(20,339)
Repayments made on leases (principal only)		(640)	-	(640)	-
Net cash flow - financing activities		29,314	80,661	29,314	80,661
Net increase/(decrease) for the year		(27,847)	104,573	(27,699)	110,133
plus: cash and cash equivalents - beginning		181,330	76,757	180,734	70,601
Cash and cash equivalents - closing	9	153,483	181,330	153,035	180,734

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

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

* 2019 balances have been restated to reflect the adjustments detailed in Note 14.

Ipswich City Council

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

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 and have been prepared in accordance with the requirements of the *Local Government Act 2009*, *Local Government Regulation 2012*, Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board.

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

(1.b) Statement of Compliance

Council is a not-for-profit entity for financial reporting purposes and complies with Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention, except as stated.

(1.c) Basis of Consolidation

The council and its controlled entities together form the economic entity which is referred to in these financial statements as the consolidated entity.

In the process of reporting the council as a single economic entity, all transactions with entities controlled by the council have been eliminated. In addition the accounting policies of all controlled entities have been adjusted, where necessary, on consolidation to ensure that the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the council.

The financial results of Ipswich City Properties Pty Ltd, Ipswich City Enterprises Pty Ltd and Ipswich City Enterprises Investments Pty Ltd have been consolidated into these financial statements as the transactions are considered material. Information about controlled entities that have not been consolidated, because they are not considered material, is included in note 29.

All of Council's controlled entities are audited by the Auditor-General of Queensland.

It is expected that 2020 will be the last year of consolidation because controlled entities are expected to be immaterial in 2020-21 due to transition activities. This change will impact the measurement of the investment in Queensland Urban Utilities (QUU) as QUU will be equity accounted for in the Council column.

(1.d) Constitution

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

(1.e) New and revised Accounting Standards adopted during the year

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy Note 26 for transition disclosures.

(1.f) Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

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

Note 1. Summary of Significant Accounting Policies (continued)

Effective for not-for-profit annual reporting periods beginning on or after 1 January 2020

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material. AASB 2018-7 will be applied in considering the materiality aspects of disclosing information in preparing the financial statements.
- AASB 1059 Service Concession Arrangements: Grantors. AASB 1059 has no impact as Council does not have any service concession arrangements with a private sector (operator) for the delivery of public services, hence Council will not control any service concession assets.

volunteer services as Council would not have purchased the services if not donated and it is not considered material.

(1.j) Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax, Goods and Services Tax (GST) and Payroll Tax on certain activities. The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

(1.g) Estimates and Judgements

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that have a significant effect or risk of causing an adjustment to the carrying amounts of assets and liabilities relate to:

- Non-current assets held for sale – Note 11
- Investment Property - Note 13
- Valuation and depreciation of Property, Plant & Equipment - Note 14
- Impairment of Property, Plant and Equipment - Note 14
- Provisions - Note 19
- Contingent Liabilities - Note 22
- Financial instruments and financial liabilities – Note 27
- Revenue - Note 3

(1.h) Rounding and Comparatives

The financial statements are in Australian dollar and have been rounded to the nearest \$1000 unless otherwise stated.

The Council uses the Australian Dollar as its functional currency and its presentation currency.

(1.i) Volunteer Services

Council considers volunteer services as community or value add services for the Ipswich district. However, Council does not recognise revenue from

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

Note 2(a). Council functions - component descriptions

Details relating to the Council's functions / activities as reported in Note 2(b) are as follows:

Functions 2020

Coordination and Performance

This department manages Council's executive services, performance, internal audit, media and engagement branches.

Former department Office of the Chief Executive Officer and Media branch were amalgamated with the newly created Coordination and Performance Department.

Corporate Services

This department assists Council across a wide range of areas to ensure its outcomes are met, particularly in relation to expenditure and financial management. The department also manages the rules, relationships, policies, people and culture, information technology, systems and processes within Council, ensuring compliance is exercised and maintained.

Former department Finance and Corporate Services and the People and Culture branch was transferred from the Office of the Chief Executive Officer.

Community, Cultural and Economic Development

This department's primary objective is to strengthen and contribute to the sense of community, and to enhance the lives of the City's residents and visitors through implementation and development of innovative programs and services.

Former departments of Arts, Social Development and Community Engagement; and Economic Development and Marketing were amalgamated.

Infrastructure and Environment

This department manages Council's roads, traffic systems, buildings, parks, drains and natural areas. Management of Council's environmental and sustainability responsibilities includes conservation, waste, stormwater, cultural heritage and emergency events.

Former departments of Works, Parks and Recreation; and Infrastructure Services were amalgamated.

Planning and Regulatory Services

This department's objective is to manage growth and development in a socially, ecologically and economically sustainable way to meet the needs of the community. Also, the department's objective is to ensure the health, environment and safety of the city is protected and enhanced through the utilisation of reasonable and appropriate compliance approaches.

Former departments of Planning and Development; and Health, Security and Regulatory Services were amalgamated.

Ipswich Waste Services

Ipswich Waste Services is a commercialised Type 2 waste services business activity within Council. Primarily funded from the waste management utility charge, the overall objective is to provide commercially focused waste services to the community in accordance with the Charter and Establishment Agreement, the Customer Charter and the Annual Operating Agreement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(a). Council functions - component descriptions (continued)

Functions 2019

Arts, Social Development and Community Engagement

This department's primary objective is to strengthen and contribute to the sense of community, and to enhance the lives of the City's residents and visitors through implementation and development of innovative programs and services.

Economic Development and Marketing

This department's primary objective is to develop, promote and implement innovative economic, marketing, communication, media, tourism and event initiatives.

Infrastructure Services

This department plans, designs and delivers assets to ensure the community is serviced by high quality and effective transport, open space and built environment networks.

Finance and Corporate Services

This department provides administrative, financial, customer service, insurance, business services, procurement and information and communications technology expertise to the departments of Council.

Works, Parks and Recreation

This department's primary objective is to provide strategic asset management, waste management services and planning for the City's sports, recreation and natural resource environment.

Health, Security and Regulatory Services

This department's objective is to ensure that the health, environment and safety of the City are protected and enhanced.

Planning and Development

This department's objective is to effectively manage growth and development in order to create a socially, ecologically and economically sustainable environment.

Ipswich Waste Services

Ipswich Waste Services is a commercialised Type 2 waste services business activity within Council. Primarily funded from the waste management utility charge, the overall objective is to provide commercially focused waste services to the community in accordance with the Charter and Establishment Agreement, the Customer Charter and the Annual Operating Agreement.

Office of the Chief Executive Officer

This department provides a support function for Council's internal audit, legal and executive branch.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions - analysis of results by function

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Other		Capital			Recurring	Capital				
	Grants	Other	Grants	Other	Grants	Other							
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Coordination and Performance Corporate Services	-	722	-	-	-	930	(10,612)	(4,743)	(15,355)	(9,890)	(13,703)	123,085	
Community, Cultural and Economic Development	5,064	213,935	-	-	-	-	(63,745)	3	(63,742)	155,254	155,257	1,004	
Infrastructure and Environment	2,519	3,315	-	1,077	-	-	(36,509)	(159)	(36,668)	(30,675)	(29,757)	2,608	
Planning and Regulatory Services	3,932	26,505	7,400	155,656	-	-	(147,948)	(4,536)	(152,484)	(117,511)	41,009	2,513,629	
Ipswich Waste Services	308	18,167	-	-	-	-	(24,429)	(25)	(24,454)	(5,954)	(5,979)	185	
Eliminations and Unallocated Assets	853	41,920	-	-	-	-	(33,811)	(31)	(33,842)	8,962	8,931	14,194	
Total Consolidated	12,676	278,151	7,400	157,663	-	-	(290,641)	(9,491)	(300,132)	186	155,758	3,312,635	

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Other		Capital			Recurring	Capital				
	Grants	Other	Grants	Other	Grants	Other							
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Arts, Social Development and Community Engagement	2,327	4,760	-	-	-	-	(19,981)	-	(19,981)	(12,894)	(12,894)	8,443	
Economic Development and Marketing	262	1,127	-	-	-	-	(9,971)	-	(9,971)	(8,582)	(8,582)	6	
Infrastructure Services	-	67,454	-	-	-	-	(4,841)	-	(4,841)	62,613	62,613	68,609	
Finance and Corporate Services	4,467	183,829	-	-	-	-	(56,978)	-	(56,978)	131,318	131,318	79,905	
Works, Parks and Recreation	3,519	40,224	5,368	40,557	-	-	(143,107)	(2,605)	(145,712)	(53,439)	(56,044)	2,279,718	
Health, Security and Regulatory Services	211	5,134	-	-	-	-	(15,232)	-	(15,232)	(9,887)	(9,887)	4,888	
Planning and Development	-	16,074	-	-	-	-	(13,542)	-	(13,542)	2,532	2,532	72	
Ipswich Waste Services	-	39,486	-	-	-	-	(27,480)	-	(27,480)	12,006	12,006	13,403	
Office of the Chief Executive Officer	302	39,583	-	-	-	-	(13,427)	-	(13,427)	26,458	26,458	76	
Eliminations and Unallocated Assets	-	(24,425)	-	-	-	-	23,412	-	23,412	(1,013)	(1,013)	599,047	
Total Consolidated	11,088	373,246	5,368	40,557	-	-	(281,147)	(2,605)	(283,752)	149,112	146,507	3,054,167	

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue

	Notes	Consolidated		Council	
		AASB 15	AASB 1058	AASB 15	AASB 1058
		2020	2020	2020	2020
		\$'000	\$'000	\$'000	\$'000
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.					
Revenue recognised at a point in time					
Rates, levies and charges (excluding those related to services)	3a	-	202,407	-	202,407
Fees and charges (excluding infringements)	3b	25,598	-	25,598	-
Infringements (traffic regulation)	3b	-	3,263	-	3,263
Sale of goods and services		3,659	-	3,659	-
Grants, subsidies, donations and contributions	3c	-	174,080	-	174,080
		<u>29,257</u>	<u>379,750</u>	<u>29,257</u>	<u>379,750</u>
Revenue recognised over time					
Revenue relating to grants for assets controlled by council	3c	-	2,684	-	2,684
		<u>-</u>	<u>2,684</u>	<u>-</u>	<u>2,684</u>
Total revenue		<u>29,257</u>	<u>382,434</u>	<u>29,257</u>	<u>382,434</u>

Ipswich City Council

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

Note 3. Revenue (continued)

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
(a). Rates, levies and charges				
General rates and charges	178,306	180,028	178,306	180,572
Garbage charges	31,151	29,955	31,151	29,955
Property related charges	4,338	3,997	4,338	3,997
Total rates and utility charge revenue	213,795	213,980	213,795	214,524
Less: discounts	(9,560)	(9,087)	(9,560)	(9,087)
Less: pensioner remissions	(1,828)	(1,828)	(1,828)	(1,828)
TOTAL RATES, LEVIES AND CHARGES	202,407	203,065	202,407	203,609

2020 accounting policy

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

2019 accounting policy

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

(b). Fees and charges

Town planning and development charges	14,033	15,090	14,033	15,090
Traffic regulation fees and charges	3,263	3,272	3,263	3,272
Waste disposal fees and charges	8,004	7,161	8,004	7,172
Health regulation and animal control	1,285	2,459	1,285	2,459
Other administrative charges	1,834	1,899	1,834	1,899
Other fees and charges	442	683	442	683
TOTAL FEES AND CHARGES	28,861	30,564	28,861	30,575

2020 accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, upon lodgement of the relevant application or documents. There is no material obligation for Council in relation to refunds or returns.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue (continued)

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000

(b). Fees and charges (continued)

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

Revenue from infringements is recognised on issue of infringement notice. The related statutory receivable is subsequently adjusted for impairment.

2019 accounting policy

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

(c) Grants, subsidies, contributions and donations

(i) Recurrent

General purpose grants	7,960	7,807	7,960	7,807
State government subsidies and grants	4,716	3,281	4,716	3,281
Contributions	93	890	93	890
<u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>12,769</u>	<u>11,978</u>	<u>12,769</u>	<u>11,978</u>

(ii) Capital

State government subsidies and grants	5,072	3,849	5,072	3,849
Commonwealth government subsidies and grants	2,328	1,519	2,328	1,519
Developer contributions - for capital purposes	21,241	20,427	21,241	20,427
Contributions of physical assets	135,354	63,297	135,354	63,297
Refund to developer - contributions of physical assets	-	(65)	-	(65)
<u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>163,995</u>	<u>89,027</u>	<u>163,995</u>	<u>89,027</u>

Contributions of physical assets revenue restated for comparative year due to timing errors in recognition of donated assets, refer to Note 14 (f).

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

Note 3. Revenue (continued)

(c) Grants, subsidies, contributions and donations (continued)

2020 accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include completion of deliverables or services. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Physical assets contributed to Council by developers in the form of land, road works, stormwater and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets.

Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue (continued)

(c) Grants, subsidies, contributions and donations (continued)

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

2019 accounting policy

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds.

Physical assets contributed to Council by developers in the form of land, road works, stormwater and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets.

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

Note 4. Interest and other income

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
(a). Other income				
Dividend	316	102	316	7,858
Resourcing fees	17	55	17	55
Other sundry receipts	6,479	7,464	6,479	6,609
Rental of facilities	2,389	1,014	2,389	1,014
QUU participation return *	-	-	19,433	18,650
QUU tax equivalents revenue	9,968	11,585	9,968	11,585
<u>TOTAL OTHER INCOME</u>	<u>19,169</u>	<u>20,220</u>	<u>38,602</u>	<u>45,771</u>

Dividends are recognised once they are formally declared by the directors of the controlled entity.

* Queensland Urban Utilities (QUU)

Council is entitled to mining royalties under Queensland Legislation due to being a registered title holder of land granted before 1910, for the period of March 2018 to December 2019 Council received mining royalties of \$3,006,616 in relation to coal mining extraction activities. This amount was essentially a once-off and is largely comprised of a catch-up payment, and no future royalties are expected to be received due to the mines closure in December 2019.

Ipswich City Council

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

Note 4. Interest and other income (continued)

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
(b). Interest received					
Interest received from investments		4,068	4,685	4,063	4,652
Interest from overdue rates and utility charges		466	749	466	749
<u>TOTAL INTEREST RECEIVED</u>		<u>4,534</u>	<u>5,434</u>	<u>4,529</u>	<u>5,401</u>

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

Note 5. Capital income

(a) Gain / loss on disposal of non-current assets

Proceeds from the disposal of property, plant and equipment		1,633	2,584	1,633	2,483
Less: book value of property, plant and equipment disposed	14	(1,495)	(2,497)	(1,495)	(2,409)
		<u>138</u>	<u>87</u>	<u>138</u>	<u>74</u>
Proceeds from disposal of land and improvements		-	13	-	13
Less: book value of land disposed	14	-	(1)	-	(1)
		<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>
Gain on disposal of non-current assets		<u>138</u>	<u>99</u>	<u>138</u>	<u>86</u>

(b) Revaluations

Revaluation increment of property, plant and equipment reversing previous revaluation decrement *	14	-	40,471	-	40,471
Revaluation increment/decrement relating to investment property	13	930	-	930	-
<u>TOTAL CAPITAL INCOME</u>		<u>1,068</u>	<u>40,570</u>	<u>1,068</u>	<u>40,557</u>

* In 2019 a desktop valuation for roads, bridges and footpaths was performed by Cardno (QLD) Pty Ltd resulting in an increment of \$40.471m. The increment was recognised as capital revenue as this reversed a previous decrement recognised as a capital expense due to the 2016 formal valuation which resulted in a decrease to the asset revaluation surplus of \$75.1m and a loss of \$58.3m as the decrement exceeded the balance of the asset revaluation surplus for infrastructure assets. The 2016 formal valuation included the elimination of residual values as a result of clarification from the Australian Accounting Standards Board (AASB) of the definition for residual values in AASB 116 *Property, Plant and Equipment*.

Ipswich City Council

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

Note 6. Employee benefits

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Wages and salaries		89,488	85,234	89,488	84,640
Councillors remuneration		258	244	258	244
Annual, sick and long service leave entitlements		10,973	11,629	10,973	11,629
Superannuation	23	10,862	10,456	10,862	10,455
Workers compensation insurance		1,014	964	1,014	964
Fringe benefits tax (FBT)		217	274	217	274
		<u>112,812</u>	<u>108,801</u>	<u>112,812</u>	<u>108,206</u>
Less: capitalised employee expenses		(13,114)	(13,234)	(13,114)	(13,234)
<u>TOTAL EMPLOYEE BENEFITS</u>		<u><u>99,698</u></u>	<u><u>95,567</u></u>	<u><u>99,698</u></u>	<u><u>94,972</u></u>

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

Additional information:

Total Council employees at the reporting date:	No.	No.	No.	No.
Elected members	9	-	9	-
Administration staff	791	744	791	744
Depot and outdoors staff	387	386	387	386
Total full time equivalent employees	<u><u>1,187</u></u>	<u><u>1,130</u></u>	<u><u>1,187</u></u>	<u><u>1,130</u></u>

The Mayor and Councillors were dismissed on the 22 August 2018 when Queensland Parliament passed the Local Government (Dissolution of Ipswich City Council) Bill 2018.

On the 20 April 2020 the newly formed council was appointed with elected members of Mayor and eight Councillors. Further compensation details are disclosed in Note 31 (d) for key management personnel.

Ipswich City Council

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

Note 7. Materials and services

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Advertising and marketing	2,035	3,765	2,035	3,598
Audit of annual financial statements by the Auditor-General of Queensland	307	539	307	490
Communications	1,474	1,472	1,474	1,472
Consultants	7,171	7,062	7,171	7,025
Contractors	37,905	37,097	37,905	37,093
Donations paid	1,224	3,522	1,224	3,522
Repairs and maintenance	10,924	7,989	10,924	7,798
Rentals - operating leases	622	1,461	622	1,461
Council's insurance premiums	1,335	1,476	1,335	1,401
Goods and services	15,412	17,904	15,408	16,736
Legal	3,403	2,641	3,403	2,528
Materials	8,117	8,389	8,117	8,389
Utilities	11,862	10,860	11,861	10,261
Rentals	1,444	1,554	1,444	1,368
General expenses	2,460	1,412	2,459	1,364
Bad debts written off	279	104	279	46
Less: capitalised expenses	(1,814)	(1,827)	(1,814)	(1,827)
<u>TOTAL MATERIALS AND SERVICES</u>	<u>104,160</u>	<u>105,420</u>	<u>104,154</u>	<u>102,725</u>

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$275,000 for Council and \$285,200 for the group. While in 2019, total audit fees were \$323,500 for Council and \$395,500 for the group.

Consultants expenses include other amounts payable in relation to the interim administrator and interim management committee costs totalling \$986,454 (2019: \$1,536,568).

Ipswich City Council

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

Note 8. Finance costs

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Finance costs charged by the Queensland Treasury Corporation	13,067	12,280	13,067	12,280
Bank charges	535	561	535	561
Interest on leases	54	-	54	-
Impairment/(impairment reversal) of inter-entity loan	-	-	-	(22,100)
Write-down of inter-entity loan	-	-	-	24,925
<u>TOTAL FINANCE COSTS</u>	<u>13,656</u>	<u>12,841</u>	<u>13,656</u>	<u>15,666</u>

Refer to Note 10 for details about impairment and write-off of inter-entity loan.

Note 9. Cash, cash equivalents and investments

Notes	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
(a) Cash and cash equivalents				
Cash at bank and on hand	6,194	817	5,746	221
Deposits at call	147,289	180,513	147,289	180,513
Total cash and cash equivalents	<u>153,483</u>	<u>181,330</u>	<u>153,035</u>	<u>180,734</u>
(b) Investments				
Current				
Term deposits	47,000	62,000	47,000	62,000
Total current investment	<u>47,000</u>	<u>62,000</u>	<u>47,000</u>	<u>62,000</u>
Non-Current				
Share in controlled entities and other entities	100	100	100	100
Participation rights in QUU	430,127	420,399	310,290	310,290
Total non-current investments	<u>430,227</u>	<u>420,499</u>	<u>310,390</u>	<u>310,390</u>
<u>TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>630,710</u>	<u>663,829</u>	<u>510,425</u>	<u>553,124</u>

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Cash, cash equivalents and investments (continued)

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Restricted cash and cash equivalents				
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:				
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:				
Unspent government grants and subsidies	136	-	136	-
Waste levy refund received in advance	-	7,361	-	7,361
Total external restrictions	136	7,361	136	7,361
Internally imposed expenditure restrictions at the reporting date:				
Future recurrent expenditure	5,098	4,092	5,098	4,092
Total internal restrictions	5,098	4,092	5,098	4,092
Total unspent restricted cash	5,234	11,453	5,234	11,453

Cash, deposits at call and investments are held with financial institutions with a credit rating AA+ to BBB+. Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Investments in the form of fixed term deposits are carried at amortised cost as they meet the test of solely payments of principal and interest (SPPI). All term deposits are held to maturity.

Investments intended to be held longer than 12 months are non-current. Council policy limits the total amount of investments permitted to be lodged with any one financial institution to not more than 25% (except in the case of the Queensland Treasury Corporation (QTC) cash fund) of total investments with authorised financial institutions. This policy is part of Council's overall strategy to minimise exposure to interest rate and credit risk whilst pursuing higher investment returns.

Investments in financial instruments are required with Queensland Treasury Corporation (QTC) or similar State/Commonwealth bodies or financial institutions in Australia.

Council holds an equity investment in Queensland Urban Utilities (QUU) which pays participant returns and these are recognised as revenue on receipt. These long term investments are unquoted and there is no active market. As a result, the fair value of these investments cannot be reliably measured therefore they are measured at cost. Refer to Note 12 for further details.

Cash at bank and on hand at 30 June 2019 includes \$7,361,199 received from the State government to mitigate the direct impacts on households on the State Waste Levy, which came into effect from 1 July 2019. This money has been set aside to help fund the Council's 2020-21 levy expense.

Ipswich City Council

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

Note 10. Receivables

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Current				
Rates and charges	4,061	5,582	4,061	5,582
Trade debtors	15,061	13,305	15,133	13,266
GST recoverable	3,278	6,569	3,278	6,553
Accrued revenues				
- Interest on investments	376	624	376	624
- Interest on debts	434	425	434	425
Loss allowance - Trade Debtors	(284)	(112)	(284)	(112)
<u>TOTAL CURRENT RECEIVABLES</u>	<u>22,926</u>	<u>26,393</u>	<u>22,998</u>	<u>26,338</u>

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	112	47	112	22,147
Adjustment to opening balance upon application of AASB 9	-	23	-	23
<i>Add</i>				
Additional impairments recognised	633	214	633	214
<i>Less</i>				
Impairment debts written off during the year	(108)	(46)	(108)	(46)
Impairments reversed	(353)	(126)	(353)	(22,226)
Balance at the end of the year	<u>284</u>	<u>112</u>	<u>284</u>	<u>112</u>

Receivables are amounts owed to Council at year end. They are recognised at the amounts due at the time of sale or service delivery. Settlement is generally within 30 days from the invoice date. The collectability of receivables is assessed periodically for impairment. All known bad debts were written-off at 30 June. Refer also to Note 27 for further information about credit risk.

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

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

Loans and advances are initially recognised at cost. As no active market exists for these receivables their fair value cannot be reliably measured therefore they are measured at cost. Interest is charged as it accrues based on the rate established for each loan.

Council resolution passed on the 27 June 2019 for the wind up of Ipswich City Properties Pty Ltd (ICP) with the distribution of ICP's assets to Council to offset the loan receivable and the remaining balance of the loan to be written down. Further details are disclosed note 32.

Ipswich City Council

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

Note 11. Non-current assets held for sale

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Non-current assets held for sale					
Land		8,513	1,370	8,513	1,370
Buildings		12,137	-	12,137	-
Total non-current assets held for sale - classified as current		<u>20,650</u>	<u>1,370</u>	<u>20,650</u>	<u>1,370</u>
Reconciliation of non-current assets held for sale					
Opening balance		<u>1,370</u>	-	<u>1,370</u>	-
less: assets no longer classified as held for sale	14	(1,370)	-	(1,370)	-
plus new transfer in:					
Assets held for sale from property, plant and equipment	14	<u>20,650</u>	<u>1,370</u>	<u>20,650</u>	<u>1,370</u>
Closing balance of held for sale non-current assets and operations		<u><u>20,650</u></u>	<u><u>1,370</u></u>	<u><u>20,650</u></u>	<u><u>1,370</u></u>

Council is committed to sell land and buildings located in the central business district of Ipswich which is expected to be settled within approximately one year. The land and buildings are valued at fair value less cost to sell.

Land and buildings located at 3 Foote Lane, 82 Limestone Street, 37 South Street, 40 South Street, 50 South Street and 56 South Street Ipswich were valued at market value due to the intended sale to West Moreton Hospital and Health Service based on a signed memorandum of understanding. The market value is the negotiated and agreed proposed purchase price based on independent valuations prepared for Ipswich City Council by Savills Valuation Pty Ltd as at the 23 March 2020 and independent valuations prepared for West Moreton Hospital and Health Service. The comprehensive valuations were undertaken during which Savills physically inspected the assets and the valuations are based on the capitalisation approach (market yield) and direct comparison.

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

Note 12. Investment in Associates

Council has incorporated the following associates into its consolidated financial statements.

Net carrying amounts - Council's share

Name of entity	Nature of relationship	Measurement method	Place of business	Interest in ownership
Queensland Urban Utilities (QUU)	Associate	Equity	Brisbane	12.222%
Total carrying amounts - joint ventures and associated entities				12.222%

Council holds participation rights of 12.222% in QUU which is a minority interest. Council is considered to have a significant influence over QUU and as such these assets are considered to be an investment in an associate. In applying the equity method the investment in QUU is initially recognised at cost and adjusted thereafter to recognise Council's share of the net profit and other comprehensive income of QUU. (Refer to Note 9.) Developer contributions for water and sewerage are held in trust and forwarded to QUU at month end.

	Consolidated		Council	
	2020	2019*	2020	2019*
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the carrying amount				
Opening net assets (1 July)	420,399	409,710	310,290	310,290
Prior period adjustment on donated assets	1,938	-	-	-
Profit/(loss) for the period	27,331	27,690	-	-
Dividends paid	(19,432)	(18,650)	-	-
Share of AASB adjustments	-	1,628	-	-
Share of other comprehensive income	(109)	21	-	-
Closing net assets	430,127	420,399	310,290	310,290

	2020	2019*
	\$'000	\$'000
Extract from the associate's statement of financial position		
Current assets	323,955	240,263
Non-current assets	6,092,037	5,787,505
Current liabilities	363,742	323,086
Non-current liabilities	2,532,968	2,264,994
Net assets	3,519,282	3,439,688
Share of associates net assets	430,127	420,399

	2020	2019*
	\$'000	\$'000
Extract from the associate's statement of comprehensive income		
Revenue	1,437,433	1,377,659
Net profit	223,619	226,554
Other comprehensive income	(1,967)	168
Total comprehensive income	221,652	226,722

	2020	2019*
	\$'000	\$'000
Transactions with associate		
Amounts received or receivable by Council from QUU	9	12
Amounts paid or payable by Council to QUU	3,882	3,438
Tax received and receivable (QUU operates under a tax equivalent regime)	9,968	11,585
Participation returns received and accrued	19,433	18,650
Water and sewerage contributions held in trust and forwarded to QUU at month end	15,732	12,925

All amounts are exclusive of GST.

Ipswich City Council

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

Note 13. Investment property

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Fair value at beginning of financial year		17,135	17,045	17,135	-
Revaluation increment	5	930	-	930	-
Revaluation decrement		(3,196)	-	(3,196)	-
Total revaluation adjustment to net profit		(2,266)	-	(2,266)	-
Additions and work in progress		2,283	2,090	2,283	2,090
Disposals during the year		-	(17,045)	-	-
Transfer as a result of ICP Pty Ltd transition		-	15,045	-	15,045
Impairment loss on work in progress		(1,548)	-	(1,548)	-
<u>TOTAL INVESTMENT PROPERTY</u>		<u>15,604</u>	<u>17,135</u>	<u>15,604</u>	<u>17,135</u>

Investment properties located at 2 Bell Street Ipswich, Ipswich City Square and 5 Union Place Ipswich were transferred to Council at fair value at 30 June 2019 from the former Ipswich City Properties Pty Ltd (ICP). Council's intention is to earn income from these properties and will continue to recognise them as investment properties.

Investment property is initially recognised at cost (including transaction costs) and subsequently at fair value. Investment property will be revalued each financial year. Gains or losses arising from changes in the fair value of investment property are recognised as income or expenses respectively for the period in which they arise. Investment property is not depreciated.

All investment properties were independently valued by Cardno (QLD) Pty Ltd on 30 June 2020. They were valued using the sales comparison approach. Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Investment buildings under construction are included within the investment property category of \$2,283,653 (2019: \$2,089,325). Investment buildings under construction are measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case, the property is measured at cost until fair value can be reliably determined). Impairment of investment buildings under construction has been recorded when the estimated carrying amount exceeds the estimated recoverable amount. The impairment loss is recognised as an expense in the Statement of Comprehensive Income.

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

Note 14. Property, plant and equipment

Measurement basis	Capital work in progress		Land	Land improvements	Buildings and structures	Plant and equipment	Roads, bridges and footpaths	Flooding and drainage	Artworks	Total
	\$'000	\$'000								
	Cost	Fair value	Cost	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value
Opening gross balance	109,968	320,693	38,321	527,475	123,738	1,319,001	850,073	4,700	4,700	3,293,969
Additions*	-	510	3,154	14,888	12,741	51,433	14,612	141	141	97,479
Contributed assets	-	6,458	15,863	27,601	1,533	46,588	37,016	295	295	135,354
Disposals	-	-	-	-	(4,208)	-	-	-	-	(4,208)
Write-offs	-	(685)	-	(3,296)	(6,042)	(2,284)	(520)	(2)	(2)	(12,829)
Revaluation increments to equity (ARS)	-	20,103	-	12,641	-	-	17,039	-	-	49,783
Transfers from/(to) held for sale category	-	(7,143)	-	(12,137)	-	-	-	-	-	(19,280)
Transfers from/(to) intangible assets	-	-	-	-	-	-	-	-	-	(86)
Transfers between classes	-	-	-	(2,844)	(86)	-	-	-	(5)	-
Assets not previously recognised	-	-	-	16,278	2,849	-	-	-	-	16,278
Capital expenditure during the year	345,040	-	-	-	-	-	-	-	-	345,040
Transfer from capital expenditure to additions and contributed assets	(267,942)	-	-	-	-	-	-	-	-	(267,942)
Capital expenditure written off to expense	(2,327)	-	-	-	-	-	-	-	-	(2,327)
Total consolidated gross value of property, plant and equipment	184,739	339,936	57,338	580,606	130,525	1,414,738	918,220	5,129	5,129	3,631,231
Opening accumulated depreciation and impairment	-	-	-	223,171	64,152	371,083	208,446	-	-	866,852
Depreciation expense	-	-	-	12,542	11,251	33,345	8,803	-	-	65,941
Disposals	-	-	-	-	(2,633)	-	-	-	-	(2,633)
Write-offs	-	-	-	(1,625)	(5,789)	(477)	(219)	-	-	(8,110)
Revaluation increments to equity (ARS)	-	-	-	(6,337)	(57)	-	301	-	-	(6,036)
Transfers from/(to) intangible assets	-	-	-	(693)	693	-	-	-	-	(57)
Transfers between classes	-	-	-	6,893	-	-	-	-	-	6,893
Assets not previously recognised	-	-	-	-	-	-	-	-	-	-
Total consolidated accumulated depreciation and impairment property, plant and equipment	-	-	-	233,951	67,617	403,951	217,331	-	-	922,850
Total consolidated net book value of property, plant and equipment	184,739	339,936	57,338	346,655	62,908	1,010,787	700,889	5,129	5,129	2,708,381
Other information										
Range of estimated useful life (years)										
	Not depreciated	Not depreciated	Not depreciated	1-100 years	1-45 years	1.5-100 years	15-100 years	Not depreciated	Not depreciated	
*Asset additions comprise										
Asset renewals	-	-	-	3,281	-	29,848	4,105	-	-	37,234
Other additions	-	6,968	19,017	39,208	14,274	68,173	47,523	436	-	195,599
Total asset additions	-	6,968	19,017	42,489	14,274	98,021	51,628	436	-	232,833

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

Note 14. Property, plant and equipment

Measurement basis	Note	Capital work in progress		Land	Land improvements		Buildings and structures		Plant and equipment		Roads, bridges and footpaths		Flooding and drainage		Artworks		Total	
		\$'000 Cost	\$'000 Fair value		\$'000 Cost	\$'000 Fair value	\$'000 Cost	\$'000 Fair value	\$'000 Cost	\$'000 Fair value	\$'000 Cost	\$'000 Fair value	\$'000 Cost	\$'000 Fair value	\$'000 Cost	\$'000 Fair value		
Opening gross balance		112,618	293,237	32,421	492,117	122,138	1,227,490	825,754	3,978	3,109,753								
Correction of prior period errors		-	4,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,598
Additions*		-	5,131	2,934	29,733	15,648	39,262	7,116	96	99,920								99,920
Contributed assets		-	6,348	2,966	7,149	1,120	27,628	18,043	43	63,297								63,297
Disposals	5	(1,500)	(1)	-	(79)	(7,960)	(3,343)	(840)	(7)	(9,540)								(9,540)
Write-offs	5	-	-	-	(703)	(1,571)	(3,343)	(840)	(7)	(6,464)								(6,464)
Impairment loss (recognised in P/L)		-	-	-	(653)	-	-	-	-	(653)								(653)
Reversal of prior period revaluation decrements to P/L (capital income)		-	-	-	-	-	27,192	-	-	27,192								27,192
Revaluation adjustment to asset revaluation surplus		-	-	-	(5,771)	-	-	-	-	(5,771)								(5,771)
Transfers from/(to) held for sale category		-	(1,370)	-	-	-	-	-	-	-								(1,370)
Transfers from/(to) intangible assets	11	-	-	-	-	-	-	-	-	-								-
Transfers between classes		-	-	-	5,682	(5,642)	-	-	(14)	-								(14)
Assets not previously recognised		-	-	-	-	-	772	-	-	-								772
Transfers from/(to) as a result of ICP Pty Ltd transition		19,176	12,750	-	-	19	-	-	-	-								31,945
Capital expenditure during the year		148,658	-	-	-	-	-	-	-	-								148,658
Transfer from capital expenditure to additions and contributed assets		(167,184)	-	-	-	-	-	-	-	-								(167,184)
Capital expenditure written off to expense		(1,800)	-	-	-	-	-	-	-	-								(1,800)
Total consolidated gross value of property, plant and equipment		109,968	320,693	38,321	527,475	123,738	1,319,001	850,073	4,700	3,293,969								3,293,969
Opening accumulated depreciation and impairment		-	-	-	209,764	62,809	359,210	200,122	-	831,905								831,905
Depreciation expense		-	-	-	14,363	11,499	26,979	8,597	28	61,466								61,466
Disposals	5	-	-	-	(12)	(5,532)	-	-	-	(5,544)								(5,544)
Write-offs	5	-	-	-	(499)	(1,452)	(1,934)	(273)	-	(4,158)								(4,158)
Impairment loss (recognised in P/L)		-	-	-	(353)	-	(13,279)	-	-	(353)								(353)
Reversal of prior period revaluation decrements to P/L (capital income)		-	-	-	-	-	-	-	-	-								-
Revaluation adjustment to asset revaluation surplus		-	-	-	(3,290)	(2)	-	-	(2)	-								(3,290)
Transfers from/(to) intangible assets		-	-	-	3,198	(3,170)	-	-	(28)	-								-
Transfers between classes		-	-	-	-	-	107	-	-	-								107
Assets not previously recognised		-	-	-	-	-	-	-	-	-								-
Total consolidated accumulated depreciation and impairment property, plant and equipment		-	-	-	223,171	64,152	371,083	208,446	-	866,852								866,852
Total consolidated net book value of property, plant and equipment		109,968	320,693	38,321	304,304	59,586	947,918	641,627	4,700	2,427,117								2,427,117
Other information																		
Range of estimated useful life (years)																		
		Not depreciated	Not depreciated	Not depreciated	1-100 years	1-45 years	1,5-100 years	15-100 years	Not depreciated									
*Asset additions comprise																		
Asset renewals		-	-	-	4,602	-	25,673	1,162	-	31,437								
Other additions		-	11,479	5,900	32,280	16,768	41,217	23,997	139	131,780								
Total asset additions		-	11,479	5,900	36,882	16,768	66,890	25,159	139	163,217								

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

Note 14. Property, plant and equipment

Council - 30 June 2020	Capital work in progress		Land	Land improvements	Buildings and structures	Plant and equipment	Roads, bridges and footpaths	Flooding and drainage	Artworks	Total
	\$'000	Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Measurement basis		Note	Fair value	Cost	Fair value	Cost	Fair value	Fair value	Fair value	Fair value
Opening gross balance	109,968		320,693	38,321	527,475	123,738	1,319,001	850,073	4,700	3,293,969
Additions*	-		510	3,154	14,888	12,741	51,433	14,612	141	97,479
Contributed assets	-		6,458	15,863	27,601	1,533	46,588	37,016	295	135,354
Disposals	-	5	-	-	-	(4,208)	(2,284)	-	-	(4,208)
Write-offs	-	5	(685)	-	(3,296)	(6,042)	(520)	(520)	(2)	(12,829)
Revaluation increments to equity (ARS)	-		20,103	-	12,641	-	-	17,039	-	49,783
Transfers from/(to) held for sale category	-	11	(7,143)	-	(12,137)	-	-	-	-	(19,280)
Transfers from/(to) intangible assets	-		-	-	-	-	-	-	-	(86)
Transfers between classes	-		-	-	(2,844)	(86)	-	-	(5)	-
Assets not previously recognised	-		-	-	16,278	2,849	-	-	-	16,278
Capital expenditure during the year	345,040		-	-	-	-	-	-	-	345,040
Transfer from capital expenditure to additions and contributed assets	(267,942)		-	-	-	-	-	-	-	(267,942)
Capital expenditure written off to expense	(2,327)		-	-	-	-	-	-	-	(2,327)
Total gross value of property, plant and equipment	184,739		339,936	57,338	580,606	130,525	1,414,738	918,220	5,129	3,631,231
Opening accumulated depreciation and impairment	-		-	-	223,171	64,152	371,083	208,446	-	866,852
Depreciation expense	-		-	-	12,542	11,251	33,345	8,803	-	65,941
Disposals	-	5	-	-	-	(2,633)	-	-	-	(2,633)
Write-offs	-	5	-	-	(1,625)	(5,789)	(477)	(219)	-	(8,110)
Revaluation increments to equity (ARS)	-		-	-	(6,337)	(57)	-	301	-	(6,036)
Transfers from/(to) intangible assets	-		-	-	(693)	693	-	-	-	(57)
Transfers between classes	-		-	-	6,893	-	-	-	-	6,893
Assets not previously recognised	-		-	-	-	-	-	-	-	-
Total accumulated depreciation and impairment property, plant and equipment	-		-	-	233,951	67,617	403,951	217,331	-	922,850
Total net book value of property, plant and equipment	184,739		339,936	57,338	346,655	62,908	1,010,787	700,889	5,129	2,708,381
Other information			Not depreciated	Not depreciated	1-100 years	1-45 years	1.5-100 years	15-100 years	Not depreciated	
Range of estimated useful life (years)			Not depreciated	Not depreciated	1-100 years	1-45 years	1.5-100 years	15-100 years	Not depreciated	
*Asset additions comprise										
Asset renewals	-		-	-	3,281	-	29,848	4,105	-	37,234
Other additions	-		6,968	19,017	39,208	14,274	68,173	47,523	436	195,599
Total asset additions	-		6,968	19,017	42,489	14,274	98,021	51,628	436	232,833

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

Note 14. Property, plant and equipment

Measurement basis	Capital work in progress		Land	Land improvements	Buildings and structures	Plant and equipment	Roads, bridges and footpaths	Flooding and drainage	Artworks	Total
	\$'000	\$'000								
	Cost	Fair value	Cost	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value
Opening gross balance	110,896	293,237	32,421	492,117	122,138	1,227,490	825,754	3,978	3,108,031	3,108,031
Correction of prior period errors	-	4,598	-	-	-	-	-	-	-	4,598
Additions*	-	5,131	2,934	29,733	15,648	39,262	7,116	96	99,920	99,920
Contributed assets	-	6,348	2,966	7,149	1,120	27,628	18,043	43	63,297	63,297
Disposals	-	(1)	-	(79)	(7,960)	-	-	-	-	(8,040)
Write-offs	-	-	-	(703)	(1,571)	(3,343)	(840)	(7)	(6,464)	(6,464)
Impairment loss (recognised in P/L)	-	-	-	(653)	-	-	-	-	-	(653)
Reversal of prior period revaluation decrements to P/L (capital income)	-	-	-	-	-	-	-	-	-	27,192
Revaluation adjustment to asset revaluation surplus	-	-	-	(5,771)	-	-	-	-	597	(5,174)
Transfers from/(to) held for sale category	-	(1,370)	-	-	-	(14)	-	-	-	(1,370)
Transfers from/(to) intangible assets	-	-	-	-	-	-	-	-	-	(14)
Transfers between classes	-	-	-	5,682	-	(5,642)	-	-	(40)	-
Assets not previously recognised	-	-	-	-	-	-	-	-	33	805
Transfers from/(to) as a result of ICP Pty Ltd transition	19,176	12,750	-	-	19	-	-	-	-	31,945
Capital expenditure during the year	146,580	-	-	-	-	-	-	-	-	146,580
Transfer from capital expenditure to additions and contributed assets	(164,884)	-	-	-	-	-	-	-	-	(164,884)
Capital expenditure written off to expense	(1,800)	-	-	-	-	-	-	-	-	(1,800)
Total gross value of property, plant and equipment	109,968	320,693	38,321	527,475	123,738	1,319,001	850,073	4,700	3,293,969	3,293,969
Opening accumulated depreciation and impairment	-	-	-	209,754	62,779	359,210	200,122	-	-	831,865
Depreciation expense	-	-	-	14,361	11,495	26,979	8,597	28	28	61,460
Disposals	-	-	-	(5,498)	(5,498)	-	-	-	-	(5,498)
Write-offs	-	-	-	(499)	(1,452)	(1,934)	(273)	-	-	(4,158)
Impairment loss (recognised in P/L)	-	-	-	(353)	-	(13,279)	-	-	-	(353)
Reversal of prior period revaluation decrements to P/L (capital income)	-	-	-	-	-	-	-	-	-	(13,279)
Revaluation adjustment to asset revaluation surplus	-	-	-	(3,290)	(2)	-	-	-	-	(3,290)
Transfers from/(to) intangible assets	-	-	-	3,198	(3,170)	-	-	(28)	-	(2)
Transfers between classes	-	-	-	-	-	107	-	-	-	107
Assets not previously recognised	-	-	-	-	-	-	-	-	-	-
Total accumulated depreciation and impairment property, plant and equipment	-	-	-	223,171	64,152	371,083	208,446	-	4,700	866,852
Total net book value of property, plant and equipment	109,968	320,693	38,321	304,304	59,586	947,918	641,627	4,700	2,427,117	2,427,117
Other information										
Range of estimated useful life (years)										
	Not depreciated	Not depreciated	Not depreciated	1-100 years	1-45 years	1,5-100 years	15-100 years	Not depreciated	Not depreciated	
*Asset additions comprise										
Asset renewals	-	-	-	4,602	-	25,673	1,162	-	-	31,437
Other additions	-	11,479	5,900	32,280	16,768	41,217	23,997	139	-	131,780
Total asset additions	-	11,479	5,900	36,882	16,768	66,890	25,159	139	-	163,217

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Property, plant and equipment (continued)

(a) Recognition

Council has adopted an asset recognition threshold of \$1 for land assets, \$1,000 for all non-infrastructure assets other than land and \$10,000 for all infrastructure assets. Capital additions below these thresholds are accordingly treated as an expense in the year of acquisition.

(b) Measurement

Acquisitions of assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

(c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land and land improvements are not depreciated as they have an unlimited useful life. Depreciation on other property, plant and equipment 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 the Council. Management believe the straight-line method appropriately reflects the pattern of consumption of all Council assets.

Where assets have separately identifiable significant 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.

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

(d) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the 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.

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

Note 14. Property, plant and equipment (continued)

(e) Valuation

Land, buildings and structures, artworks and infrastructure assets are measured on the revaluation basis, at fair value. Land improvements, 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 engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every five years. The valuer physically sights a representative sample of Council assets across all asset classes. The asset's condition assessment can be determined by either Council Engineers or by the valuer depending on the asset being valued. The remaining useful life is based on the condition or by assigning the actual remaining useful life based on replacement dates. In the intervening years, a desktop valuation is performed which involves Council providing updated information to the valuer regarding any additions and deletions. The valuer then determines suitable indices to apply to each of these assets. Where the results of the desktop valuation are significant indexation is applied.

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

In accordance with AASB 13 fair value measurements are categorised on the following basis:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly,

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

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

Note 14. Property, plant and equipment (continued)

(e) Valuation (continued)

Land (level 2)

Land was revalued during 2020 by Cardno (QLD) Pty Ltd using the market value approach. A comprehensive valuation was undertaken which the valuer physically inspected land assets and used land indices derived from Cardno's assessment of movement in land prices based on sales evidence over the past 12 months. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Land located at 3 Foote Lane, 82 Limestone Street, 37 South Street, 40 South Street, 50 South Street and 56 South Street Ipswich were valued at market value due to the intended sale to West Moreton Hospital and Health Service. Market value was determined by independent valuer, Savills Valuation Pty Ltd as at the 23 March 2020. A comprehensive valuation was undertaken which the valuer physically inspected assets and the valuation was based on the capitalisation approach (market yield) and direct comparison.

Buildings and structures (level 2 and 3)

Buildings and structures were revalued using the current replacement cost method (including physical inspection) for the year ended 30 June 2020 by Cardno (QLD) Pty Ltd valuers. Cardno (QLD) Pty Ltd's valuation methodology for buildings and structures included site visits and condition assessment. A comprehensive valuation was undertaken which the valuer physically inspected over 500 buildings and structures.

Where Council's buildings are held to provide essential services to the community and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The calculation for the current replacement cost method is based on Cardno's unit rate model with rates derived from Cardno databases, Rawlinson's rates for building and construction, building price index tables, scheduled rates for construction of asset or similar assets, and recent contract and tender data. Cardno also assessed the remaining useful life of buildings and structures with calculations based on recent condition data collected by Cardno.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

The unit rates based on square metres can be supported by recent construction costs, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs. Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Buildings located at 37 South Street, 40 South Street, 50 South Street and 56 South Street Ipswich were valued at market value due to the intended sale to West Moreton Hospital and Health Service. Market value was determined by independent valuer, Savills Valuation Pty Ltd as at the 23 March 2020. A comprehensive valuation was undertaken which the valuer physically inspected assets and the valuation was based on the capitalisation approach (market yield) and direct comparison. The valuation for these buildings have been classified as level 2.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Property, plant and equipment (continued)

(e) Valuation (continued)

Infrastructure assets (level 3)

Infrastructure assets capitalised in the current financial year are recognised at cost as Council believes this approximates the fair value of these assets at reporting date. Donated and contributed infrastructure assets are recorded at fair value. Council carried out an external valuation of roads, bridges and footpath assets based on current replacement cost as supplied by Cardno (QLD) Pty Ltd in June 2016. The current replacement cost is based on Cardno's unit rate model.

All other Council infrastructure assets are valued using current replacement cost (CRC). This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

The unit rates (labour and materials) and quantities applied to determine the current replacement cost (CRC) of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The condition assessment of roads is undertaken by an external consultant and managed by Council's Asset Management Section. The assessment includes a visual condition assessment and roughness / rutting survey which is undertaken every four years across the entire network. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Property, plant and equipment (continued)

(e) Valuation (continued)

Roads, bridges and footpaths and drainage network - calculation of current replacement cost

Roads and footpaths

Current replacement cost (CRC)

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Individual road segment lengths vary, however in general, urban roads are managed in segments of approximately 200m, while rural roads are managed in approximately 500m segments. All road segments are then componentised into formation, pavement and seal. Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on Cardno's unit rate model with rates derived from Cardno databases, Rawlinson's rates for building and construction, building price index tables, scheduled rates for construction of asset or similar assets, cost curves derived by Cardno, and recent contract and tender data. Individual road pavement depths vary, however in general, pavements are constructed to depths of approximately 670mm for high traffic areas and approximately 450mm for lower traffic locations. For internal construction estimates, material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on construction cost.

Council carried out an external valuation of road and footpath assets based on current replacement cost as supplied by Cardno (QLD) Pty Ltd in June 2016. In valuing roads Cardno has adopted the condition assessments as provided by Council engineers and valuations have been undertaken for different categories based on road type such as sealed and unsealed. A desktop valuation for roads and footpaths was performed by Cardno as at the 30 June 2020.

Accumulated Depreciation

In determining the level of accumulated depreciation roads were disaggregated into significant components which exhibited different useful lives, remaining useful lives were calculated based on either condition or by assigning the actual remaining useful life based on replacement dates provided by Council.

Note 14. Property, plant and equipment (continued)

(e) Valuation (continued)

Roads, bridges and footpaths and drainage network - calculation of current replacement cost
Roads and footpaths (continued)

Accumulated Depreciation (continued)

Council engineers use the SMEC Pavement Condition Index (SMEC PCI) to describe the overall condition of a sealed road segment. SMEC PCI has a ranking of 10 for a road without defects and deducts points from this ranking depending on the annual average daily traffic and the level and type of distresses present, such as the National Association of Australian State Road Authorities (NAASRA) roughness count, percentage of the seal area cracked, percentage of the seal area with wide cracks, percentage of the seal area potholed, mean rut depth in millimetre, and percentage of the seal area ravelled.

Bridges

Current replacement cost (CRC)

A full valuation of bridge assets was undertaken by independent valuers, Cardno (QLD) Pty Ltd, effective 30 June 2016. In valuing bridges Cardno has adopted the condition assessments as provided by both council engineers and consultants. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and modern equivalent asset. A desktop valuation for bridges was performed by Cardno as at the 30 June 2020.

The inspections of the condition of both vehicular and pedestrian bridges were carried out by a qualified engineering consulting firms in 2019 and 2018, respectively. Construction estimates were determined on a similar basis to roads and footpaths.

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments.

Flooding and drainage

Current replacement cost (CRC)

A full valuation of flooding and drainage assets was undertaken by independent valuers, Cardno (QLD) Pty Ltd, effective 30 June 2018. Flooding and drainage assets are segmented from pit (structure) to pit (structure) regardless of length.

A comprehensive valuation of detention basins was performed by Cardno (QLD) Pty Ltd effective 30 June 2020. Cardno (QLD) Pty Ltd's valuation methodology for detention basins used the current replacement cost method that included the use of aerial imaging, drawings and plans.

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

Note 14. Property, plant and equipment (continued)

(e) Valuation (continued)

Flooding and drainage (continued)

Current replacement cost (CRC) (continued)

CRC is based on Cardno's unit rate model with rates derived from Cardno databases, Rawlinson's rates for building and construction, building price index tables, scheduled rates for construction of asset or similar assets, and recent contract and tender data. A desktop valuation for flooding and drainage was performed by Cardno as at the 30 June 2020.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size, depth and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

Accumulated depreciation

In determining the level of accumulated depreciation, drainage assets were disaggregated into significant components which exhibited different useful lives.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Artworks (level 2 and level 3)

A full valuation of artworks was undertaken by independent valuers, Ross Searle and Associates, effective 30 June 2019. The valuer made a full inspection of all artwork assets. A desktop valuation for artworks was performed by Ross Searle and Associates as at the 30 June 2020.

For marketable cultural/heritage assets, valuation is determined using observable market prices for similar assets or using comparable inputs of a similar class of asset (level 2). While for other assets that have a thin market which have unobservable market prices rely on a combination of observable and unobservable inputs (level 3).

Ipswich City Council

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

Note 14. Property, plant and equipment (continued)

(f) Correction of prior period errors

In the process of reconciling and valuing Council's land assets at 30 June 2020, it was discovered there were timing errors relating to the recognition of donated land. Donated land parcels of \$3,954,000 should have been recognised in the 2019 financial year. While donated land parcels of \$4,597,717 were incorrectly recognised in the 2019 financial year which should have been recognised in the 2018 financial year. The net impact resulted in a decrease in the 2019 financial year revenue of \$643,717.

In a review of work in progress it was identified that capital work in progress relating to the CBD retail of \$2,089,325 which transferred from Ipswich City Properties Pty Ltd to Council on the 27 June 2019 should have been recognised in investment properties.

These amounted to the following equity adjustments:

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
- Adjustments to opening equity - 1/7/18 (relating to adjustments for the 30/6/18 reporting year end and prior periods)	-	4,598	-	4,598
- Adjustments to closing equity - 30/6/19 (relating to adjustments for the 30/6/19 year end)	-	(644)	-	(644)
Total correction of prior period errors	-	3,954	-	3,954

	Note	Previous 2019 \$'000	Correction \$'000	Restated 2019 \$'000
Council				
Statement of Comprehensive Income				
Grants, subsidies, contributions and donations	3 (c) (ii)	89,671	(644)	89,027
Total comprehensive income		145,267	(644)	144,623
Statement of Financial Position				
Investment properties		15,045	2,090	17,135
Property, plant and equipment		2,425,253	1,864	2,427,117
Total non-current assets		2,775,813	3,954	2,779,767
Total Assets		3,050,213	3,954	3,054,167
Net Community Assets				
Retained surplus/(deficiency)		2,187,860	3,954	2,191,814
Total Community Assets		2,670,827	3,954	2,674,781

Balances included above relate to Council. Consolidated balances have been adjusted by a similar amount.

Previously unrecognised buildings and structures assets with a net book value of \$9,384,785 were identified during the 2020 valuation. These assets were not retrospectively adjusted on the basis of materiality.

Ipswich City Council

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

Note 15. Contract balances

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
(a) Contract assets				
Contract assets	263		263	
<u>TOTAL CONTRACT ASSETS</u>	<u>263</u>		<u>263</u>	
Classified as:				
Current contract assets	263		263	
Total contract assets	<u>263</u>		<u>263</u>	
Contracts to construct Councils own assets	-		-	
(b) Contract liabilities				
Funds received upfront to construct Council controlled assets	571		571	
<u>TOTAL CONTRACT LIABILITIES</u>	<u>571</u>		<u>571</u>	
Classified as:				
Current contract liabilities	571		571	
Total contract liabilities	<u>571</u>		<u>571</u>	
Revenue recognised that was included in the contract liability balance at the beginning of the year				
Funds to construct Council controlled assets	490		490	
<u>Total revenue included in the contract liability</u>	<u>490</u>		<u>490</u>	

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

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

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

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Leases

Council as a lessee

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

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

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

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets of \$6,996,397 and lease liabilities of \$5,287,649 at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.084%.

\$'000

Consolidated and Council

Leases opening balance reconciliation

Operating lease commitment at 30 June 2019 per Council financial statements	3,616
Discounted using the incremental borrowing rate at 1 July 2019	3,321
Add:	
Extension options reasonably certain to be exercised not included in the commitments note	2,872
Variable lease payments linked to an index	(297)
Less:	
Short-term leases included in commitments note	(126)
Leases for low-value assets included in commitments note	(2)
Lease incentive liability	(480)
Lease liabilities recognised at 1 July 2019	5,288

Ipswich City Council

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

Note 16. Leases (continued)

	Land \$'000	Buildings \$'000	Car parks (including street ramp) \$'000	Total \$'000
Right of use assets				
Consolidated				
2020				
Adoption of AASB 16 at 1 July 2019	330	5,434	204	5,968
Depreciation charge	(55)	(585)	(82)	(722)
Balance at 30 June 2020	275	4,849	122	5,246
Council				
2020				
Adoption of AASB 16 at 1 July 2019	330	5,434	204	5,968
Depreciation charge	(55)	(585)	(82)	(722)
Balance at 30 June 2020	275	4,849	122	5,246
	Consolidated		Council	
	2020	2019*	2020	2019*
	\$'000	\$'000	\$'000	\$'000
Lease liabilities				
Classified as:				
Current lease liability	640	-	640	-
Non-current lease liability	4,007	-	4,007	-
Total lease liabilities	4,647	-	4,647	-

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

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Leases (continued)

	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000	Total per statement of financial position \$'000
Consolidated					
2020					
Lease liabilities	769	2,766	2,246	5,781	4,647
	<u>769</u>	<u>2,766</u>	<u>2,246</u>	<u>5,781</u>	<u>4,647</u>
Council					
2020					
Lease liabilities	769	2,766	2,246	5,781	4,647
	<u>769</u>	<u>2,766</u>	<u>2,246</u>	<u>5,781</u>	<u>4,647</u>

Leases at significantly below market value - concessionary / peppercorn leases

Council has five peppercorn leases for land, two with Queensland Rail and three with the Department of Natural Resources and Mines.

Council as a lessor

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

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with *AASB 15 Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Ipswich City Council

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

Note 17. Payables

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Current				
Creditors and accruals	38,581	21,872	38,564	21,878
Accrued interest expense	581	722	581	722
Accrued wages and salaries	1,240	1,594	1,240	1,594
Retention allowance	-	49	-	49
<u>TOTAL CURRENT PAYABLES</u>	<u>40,402</u>	<u>24,237</u>	<u>40,385</u>	<u>24,243</u>
Non-current				
Retention allowances	23	61	23	61
<u>TOTAL NON-CURRENT PAYABLES</u>	<u>23</u>	<u>61</u>	<u>23</u>	<u>61</u>

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

Retention bonus is an incentive clause to encourage completion of the term of a fixed term employment contract to employees who normally have as a minimum level of responsibility, the management of a branch in Council which is significant in size.

Note 18. Borrowings

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Current				
Loans - Queensland Treasury Corporation	33,099	26,644	33,099	26,644
<u>TOTAL CURRENT BORROWINGS</u>	<u>33,099</u>	<u>26,644</u>	<u>33,099</u>	<u>26,644</u>
Non-current				
Loans - Queensland Treasury Corporation	311,084	287,585	311,084	287,585
<u>TOTAL NON-CURRENT BORROWINGS</u>	<u>311,084</u>	<u>287,585</u>	<u>311,084</u>	<u>287,585</u>

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Borrowings (continued)

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Reconciliation of loan movements for the year				
Loans - Queensland Treasury Corporation				
Opening balance at beginning of financial year	314,228	233,567	314,229	233,567
Loans raised	57,100	101,000	57,100	101,000
Principal repayments	(27,146)	(20,339)	(27,146)	(20,339)
Book value at end of financial year	344,182	314,228	344,183	314,229

The Queensland Treasury Corporation (QTC) loan market value at the reporting date was \$378,336,014. This represents the value of the 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.

Council's debt policy for planned borrowings over the next nine years is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council aims to comply with QTC's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2023 to 15 June 2040. Principal and interest repayments are made quarterly in arrears.

All loans are unsecured except for the loan to finance the activities of the former Ipswich City Properties Pty Ltd in which Council has provided security of real property with a collective net fair value of \$42.1m for the related loan between Council and Queensland Treasury Corporation (book value \$26.7m). Specific Council properties provided as security were land and buildings located at 50 South Street Ipswich, 56 South Street Ipswich, 40 South Street Ipswich, 116 Brisbane Street Ipswich, 50 Nicholas Street Ipswich and 37 South Street Ipswich. Council undertook this loan to finance the activities of Ipswich City Properties Pty Ltd in acquiring and redeveloping the Ipswich City Square. This redevelopment will be a significant contribution towards the revitalisation of the Central Business District (CBD) under the Ipswich Regional Centre Strategy.

There have been no defaults or breaches of the loan agreement during the period.

Ipswich City Council

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

Note 19. Provisions

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Current				
Annual leave	7,707	6,645	7,707	6,645
Long service leave	14,114	13,295	14,114	13,295
<u>TOTAL CURRENT PROVISIONS</u>	<u>21,821</u>	<u>19,940</u>	<u>21,821</u>	<u>19,940</u>
Non-current				
Long service leave	2,227	2,542	2,227	2,542
Provision for perpetual care fund	167	135	167	135
<u>TOTAL NON-CURRENT PROVISIONS</u>	<u>2,394</u>	<u>2,677</u>	<u>2,394</u>	<u>2,677</u>

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. As council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

The provision for long service leave is measured as the present value of the estimated future leave payments for which Council had an obligation to pay in respect of services provided by employees up to 30 June. The value of the liability is calculated using current pay rates and projected future increase in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities as at 30 June are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer the liability beyond 12 months long service leave is classified as a current liability regardless of when the actual settlement is expected to occur. Based on past experience, Council does not expect all employees to take the full amount of accrued long service leave within the next twelve months. Otherwise it is classified as non-current.

Ipswich City Council

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

Note 20. Other liabilities

	Consolidated		Council	
	2020	2019*	2020	2019*
Notes	\$'000	\$'000	\$'000	\$'000
Current				
Waste levy refund received in advance	-	7,361	-	7,361
Unearned revenue	4,531	734	4,531	734
Refunds	1,489	7,868	1,489	7,868
Other liabilities	120	-	120	-
<u>TOTAL CURRENT OTHER LIABILITIES</u>	<u>6,140</u>	<u>15,963</u>	<u>6,140</u>	<u>15,963</u>
Non-current				
Lease incentive liability	240	480	240	480
Other liabilities	1,155	1,793	1,155	1,793
<u>TOTAL NON-CURRENT OTHER LIABILITIES</u>	<u>1,395</u>	<u>2,273</u>	<u>1,395</u>	<u>2,273</u>

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

Ipswich City Council

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

Note 21. Commitments for expenditure

	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000

(a) Operating leases (2019 only)

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.

Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to Council. Under AASB 16, this classification no longer exists for Council as a lessee. Instead, practically all leases are now recognised on the statement of financial position as Right of Use assets with corresponding lease liabilities. See note 16 for full disclosure of the initial application of AASB 16.

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

Within one year	1,091	1,091
One to five years	2,525	2,525
Later than five years	-	-
	<u>3,616</u>	<u>3,616</u>

(b) Contractual commitments (exclusive of GST)

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

Corporate Services - services agreement	4,344	9,200	4,344	9,200
Corporate Services - IT service agreement	16,758	15,594	16,758	15,594
Planning and Regulatory Services - operations	11,612	11,525	11,612	11,525
Infrastructure and Environment - operations	3,145	18,748	3,145	18,748
Infrastructure and Environment - waste disposal	15,108	7,201	15,108	7,201
	<u>50,967</u>	<u>62,268</u>	<u>50,967</u>	<u>62,268</u>

These expenditures are payable as follows:

Within the next year	21,459	25,635	21,459	25,635
Later than one year and not later than 5 years	29,508	34,375	29,508	34,375
Later than 5 years	-	2,258	-	2,258
Total Payable	<u>50,967</u>	<u>62,268</u>	<u>50,967</u>	<u>62,268</u>

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments for expenditure (continued)

	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
(c) Capital commitments (exclusive of GST)				
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:				
Property, plant and equipment				
Corporate Services - IT infrastructure	-	5,222	-	5,222
Infrastructure and Environment - infrastructure	68,133	13,039	68,133	13,039
Total commitments	68,133	18,261	68,133	18,261
These expenditures are payable as follows:				
Within the next year	57,966	8,883	57,966	8,883
Later than one year and not later than 5 years	10,167	9,378	10,167	9,378
Total Payable	68,133	18,261	68,133	18,261

Note 22. Contingencies

(a) Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2020 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$1,729,948 (2019: \$1,669,715).

Legal claims

The Council is a defendant in a number of claims that arise as a result of the operations of the Council and its ownership of public assets.

The Council is of the opinion that the claims can be successfully defended. Information in respect of individual claims has not been disclosed on the basis that Council considers such disclosures would seriously prejudice the outcome of the claim. As at the 30 June 2020 Council had nil exposure for legal claims (2019: \$3,934,247).

With the above exception, there were no other known outstanding contingencies as at year end.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Superannuation - regional defined benefit fund

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

The next triennial actuarial review is not due until 1 July 2021.

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

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

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

	Notes	Consolidated		Council	
		2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		10,059	9,046	10,059	9,046
Other superannuation contributions for employees		803	1,410	803	1,409
Total superannuation contributions paid by Council for employees	6	<u>10,862</u>	<u>10,456</u>	<u>10,862</u>	<u>10,455</u>

Ipswich City Council

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

Note 24. Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

Notes	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Net operating result from income statement	163,655	147,794	155,758	146,507
Non-cash items				
Depreciation and amortisation	73,133	67,790	73,133	67,784
Non cash capital grants and contributions	(135,354)	(63,297)	(135,354)	(63,297)
Impairment of property, plant and equipment	-	300	-	300
Impairment of investment properties	1,548	-	1,548	-
Reversal of prior period property, plant and equipment revaluation decrements costed direct to the income statement	-	(40,471)	-	(40,471)
Changes in accounting policy	(4,667)	-	(4,667)	-
	<u>(65,340)</u>	<u>(35,678)</u>	<u>(65,340)</u>	<u>(35,684)</u>
Losses/(gains) recognised on fair value re-measurements through the income statement				
Investment properties	2,266	-	2,266	-
	<u>2,266</u>	<u>-</u>	<u>2,266</u>	<u>-</u>
Investing and development activities				
Net (profit)/loss on disposal of assets	(138)	(99)	(138)	(86)
Loss on write-off of assets	4,747	2,305	4,747	2,305
Share of net (profits)/losses of associates/JV's	(7,898)	(10,669)	-	-
Cash capital grants and contributions	(28,641)	(25,795)	(28,641)	(25,795)
Losses/(gains) on transition from assets of ICP Pty Ltd	-	1,500	-	(46,990)
Write down of loan receivable from ICP Pty Ltd	-	-	-	24,925
	<u>(31,930)</u>	<u>(32,758)</u>	<u>(24,032)</u>	<u>(45,641)</u>
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	3,295	(1,085)	3,168	62,039
Increase/(decrease) in provision for doubtful debts	172	65	172	(22,035)
(Increase)/decrease in inventories	(460)	72	(160)	(109)
(Increase)/decrease in contract assets	(263)	-	(263)	-
(Increase)/decrease in other financial assets	(427)	744	(431)	741
Increase/(decrease) in payables	16,127	(2,276)	16,104	(15,848)
Increase/(decrease) in contract liabilities	571	-	571	-
Increase/(decrease) in employee leave entitlements	1,598	1,484	1,598	1,484
Increase/(decrease) in other liabilities	(10,701)	12,563	(10,701)	12,721
	<u>9,912</u>	<u>11,567</u>	<u>10,058</u>	<u>38,993</u>
Net cash provided from/(used in) operating activities from the statement of cash flows	<u><u>78,563</u></u>	<u><u>90,925</u></u>	<u><u>78,710</u></u>	<u><u>104,175</u></u>

Ipswich City Council

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

Note 25. Reconciliation of liabilities arising from finance activities

	As at 30-Jun-19 \$'000	Change in accounting policy \$'000	Cashflows \$'000	Non-cash changes (new leases) \$'000	As at 30-Jun-20 \$'000
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Consolidated

Loans	314,229	-	29,954	-	344,183
Lease liabilities	-	5,287	(640)	-	4,647
	<u>314,229</u>	<u>5,287</u>	<u>29,314</u>	<u>-</u>	<u>348,830</u>

	As at 30-Jun-18 \$'000	Change in accounting policy \$'000	Cashflows \$'000	Non-cash changes (new leases) \$'000	As at 30-Jun-19 \$'000
--	------------------------------	---	---------------------	---	------------------------------

Loans	233,568	-	80,661	-	314,229
	<u>233,568</u>	<u>-</u>	<u>80,661</u>	<u>-</u>	<u>314,229</u>

	As at 30-Jun-19 \$'000	Change in accounting policy \$'000	Cashflows \$'000	Non-cash changes (new leases) \$'000	As at 30-Jun-20 \$'000
--	------------------------------	---	---------------------	---	------------------------------

Council

Loans	314,229	-	29,954	-	344,183
Lease liabilities	-	5,287	(640)	-	4,647
	<u>314,229</u>	<u>5,287</u>	<u>29,314</u>	<u>-</u>	<u>348,830</u>

	As at 30-Jun-18 \$'000	Change in accounting policy \$'000	Cashflows \$'000	Non-cash changes (new leases) \$'000	As at 30-Jun-19 \$'000
--	------------------------------	---	---------------------	---	------------------------------

Loans	233,568	-	80,661	-	314,229
	<u>233,568</u>	<u>-</u>	<u>80,661</u>	<u>-</u>	<u>314,229</u>

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Changes in accounting policy

Changes in accounting policies

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

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

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

Lease standard - AASB 16

Changes in accounting policy on adoption of AASB 16

	Notes	Balance at 1-Jul-19 \$'000
Leases		
Right of use assets	16	5,968
Lease liabilities	16	(5,288)
Prepaid lease		(770)
Total adjustment on adoption of AASB 16 to retained earnings		(90)

Further details about the impact of adopting AASB 16 Leases are detailed in Note 16.

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Ipswich City Council

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

Note 26. Changes in accounting policy (continued)

	Notes	Balance at 1-Jul-19 \$'000
Changes in accounting policy on adoption of AASB 15 and AASB 1058		
Opening contract balances on transition at 1 July 2019		
Contract assets		
Under AASB 1058	15	15
Total contract assets		15
Contract liabilities		
Under AASB 1058	15	(490)
Total contract liabilities		(490)
Unearned revenue - prepaid rates		
Under AASB 1058	20	(4,102)
Total unearned revenue - prepaid rates		(4,102)
Total adjustment on adoption of AASB 15 and AASB 1058 to retained earnings		(4,577)

	Notes	Carrying amount per statements Dr / (Cr) \$'000	Adjustments Dr / (Cr) \$'000	Carrying amount if previous standards had been applied Dr / (Cr) \$'000
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Council

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

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

Statement of comprehensive income for the year ended 30 June 2020

Revenue

Rates, levies and charges	3 (a)	202,407	136	202,543
Capital revenue	3 (c)	163,995	96	164,091
Net revenue		366,402	232	366,634

Statement of financial position at 30 June 2020

Contract assets	15	263	(263)	-
Receivables	10	22,998	263	23,261
Contract liabilities	15	(571)	96	(475)
Other Liabilities	20	(6,140)	136	(6,004)
Retained earnings		(2,352,290)	(232)	(2,352,522)
Total		(2,335,740)	-	(2,335,740)

Balances included above relate to Council. Consolidated balances have been adjusted by a similar amount.

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

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

Note 27. Financial instruments and financial risk management

(a) Financial assets and financial liabilities

Council has exposure to the following risks arising from financial instruments; (i) interest rate risk, (ii) credit risk, and (iii) liquidity risk.

Financial risk management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies. Council's policy and administration board approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk. The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Council does not enter into derivatives.

Credit risk

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

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

No collateral is held as security relating to the financial assets held by the Council, except for the loan to finance the activities to revitalise the Central Business District (CBD) under the Ipswich Regional Centre Strategy.

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

Council has received lower average return on investments through the COVID-19 period, generally as a result of increased liquidity in the market, any direct impact on credit risk, as a result of COVID-19, remains largely unmeasurable. The impact of COVID-19 for receivables from customers resulted in an increase in unrecoverable debts, subsequently Council increased their expected credit loss percentages.

Receivables

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

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

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

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

Note 27. Financial instruments and financial risk management (continued)

	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
At 30 June 2020, the exposure to credit risk for trade and other receivables by type of counterparty was as follows:				
Rates and property charges	4,061	5,582	4,061	5,582
Community organisations receivables	57	122	57	122
Other receivables	15,530	14,138	15,602	14,081
GST recoverable	3,278	6,551	3,278	6,553
Total	22,926	26,393	22,998	26,338

Refer to Note 10 for further details.

Expected credit loss assessment

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and expected losses for trade receivables from individual customers as at the 30 June 2020.

Ageing	2020 Closing balance \$'000	2020 Historical probability of default %	2020 Loss given default %	2020 Lifetime expected credit loss \$'000
Trade Receivables				
Current	4,821	5.36%	100.00%	258
1-30 days	307	5.36%	100.00%	16
31-60 days	9	5.36%	100.00%	0
61-90 days	-	23.44%	100.00%	-
90+ days	13	64.31%	100.00%	8
Total	5,150			284

Ageing	2019* Closing balance \$'000	2019* Historical probability of default %	2019* Loss given default %	2019* Lifetime expected credit loss \$'000
Trade Receivables				
Current	2,206	2.98%	100.00%	66
1-30 days	158	2.98%	100.00%	5
31-60 days	29	2.98%	100.00%	1
61-90 days	17	12.75%	100.00%	2
90+ days	106	36.24%	100.00%	38
Total	2,516			112

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Financial instruments and financial risk management (continued)

Loss rates are based on actual credit loss experience over the past ten years. These rates are multiplied by factors which reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables. The impact of COVID-19 for trade receivables resulted in an increase in unrecoverable debts, subsequently Council increased the historical probability of default percentage.

Refer to Note 10 for the movement in the allowance for impairment for receivables during the year.

Liquidity risk

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

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

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 9.

The following table sets out the liquidity risk in relation to financial liabilities (excluding lease liabilities for 2020) held by the Council. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Consolidated					
2020					
Payables	40,402	23	-	40,425	40,425
Loans - QTC	43,394	189,556	174,065	407,015	344,183
	<u>83,796</u>	<u>189,579</u>	<u>174,065</u>	<u>447,440</u>	<u>384,608</u>
2019*					
Payables	24,237	61	-	24,298	24,298
Loans - QTC	40,117	160,722	182,874	383,713	314,229
	<u>64,354</u>	<u>160,783</u>	<u>182,874</u>	<u>408,011</u>	<u>338,527</u>
Council					
2020					
Payables	40,385	23	-	40,408	40,408
Loans - QTC	43,394	189,556	174,065	407,015	344,183
	<u>83,779</u>	<u>189,579</u>	<u>174,065</u>	<u>447,423</u>	<u>384,591</u>
2019*					
Payables	24,243	61	-	24,304	24,304
Loans - QTC	40,117	160,722	182,874	383,713	314,229
	<u>64,360</u>	<u>160,783</u>	<u>182,874</u>	<u>408,017</u>	<u>338,533</u>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Financial instruments and financial risk management (continued)

Market risk

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

Interest rate risk

The Council is exposed to interest rate risk through investments and borrowings with Queensland Treasury and/or other financial institutions. The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

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

The Council does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Interest rate sensitivity analysis evaluates what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit based on the carrying values of financial assets at the end of the reporting period. If the change in interest rates was held constant over the period this would increase / decrease profit by \$1,862,000 (2019: \$2,080,000).

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

Note 28. National competition policy

Business activities to which the code of competitive conduct is applied

Council applies the competitive code of conduct to the following activities:

Building certification Roads and drainage Waste and resources management

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

The CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the primary objective of the activities was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO's by the Council.

Significant business activities

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

- a) for water and sewerage combined activities - \$13.96 million
- b) for other activities - \$9.70 million

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

Activities to which the code of competitive conduct is applied

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

- Building certification
- Roads and drainage

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

	Building certification 2020 \$'000	Building certification 2019 \$'000	Roads and drainage 2020 \$'000	Roads and drainage 2019 \$'000	Waste management 2020 \$'000	Waste management 2019 \$'000
Revenue for services provided to external clients	132	103	3,468	3,272	42,773	39,486
Community service obligations	175	170	-	-	-	-
	307	273	3,468	3,272	42,773	39,486
Less: expenditure	(388)	(279)	(3,091)	(2,865)	(33,842)	(27,480)
Surplus/(deficit)	(81)	(6)	377	407	8,931	12,006

Ipswich City Council

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

Note 28. National competition policy (continued)

Description of CSO's provided to business activities:

Activities	CSO description	Actual	Actual
		2020 \$'000	2019 \$'000
Planning and Development - Building Certification	Concession for building certification services for approved community groups	175	170

Note 29. Controlled entities that have not been consolidated

Council has four controlled entities that are not consolidated because their size and nature means that they are not material to council's operations.

A summary of those entities, their net assets and results for the year ended 30 June 2020 follows:

Controlled entities - financial results:

Controlled entity

2020	Ownership	Revenue \$'000	Expenses \$'000	Profit/(loss) \$'000	Assets \$'000	Liabilities \$'000
	interest %					
Ipswich Arts Foundation	100	58	59	(1)	-	-
Ipswich Arts Foundation Trust	100	107	149	(42)	825	10
IA Foundation Limited (dormant)	100	-	-	-	-	-
Cherish the Environment Foundation Limited	50	171	102	69	3,940	308
		336	310	26	4,765	318

Controlled entity

2019*	Ownership	Revenue \$'000	Expenses \$'000	Profit/(loss) \$'000	Assets \$'000	Liabilities \$'000
	interest %					
Ipswich Arts Foundation	100	73	145	(72)	11	11
Ipswich Arts Foundation Trust	100	245	32	213	866	9
IA Foundation Limited (dormant)	100	-	-	-	-	-
Cherish the Environment Foundation Limited	50	686	477	209	3,418	229
		1,004	654	350	4,295	249

Ipswich Arts Foundation was established for the purpose of securing funds for the construction of Ipswich Art Gallery and associated ongoing program development, the enhancement of cultural relations between the Ipswich City Council and the community and the continued development of cultural facilities within the Ipswich region. Ipswich Arts Foundation was wound up on 7 April 2020 and all the remaining assets and liabilities of the Foundation were transferred to the IAF Trust.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Controlled entities that have not been consolidated (continued)

Ipswich Arts Foundation Trust was established for public charitable purposes and maintained solely for the purpose of providing money, property or benefits. Donations to the trust are deductible under Item 2 of the table in subsection 30.15(1) of the Income Tax Assessment Act 1997.

IA Foundation Limited was established to become the new trustee of the Ipswich Arts Foundation Trust and the entity is currently dormant.

Cherish the Environment Foundation Limited was established to protect and enhance the natural environment and provide information or education or the carrying on of research about the natural environment.

Note 30. Trust fund

	Consolidated		Council	
	2020 \$'000	2019* \$'000	2020 \$'000	2019* \$'000
Trust funds held for outside parties				
Monies collected or held on behalf of other entities yet to be paid out or on behalf of those entities	15,605	13,699	15,605	13,699
Security Deposits	16,463	13,798	16,463	13,798
Total accumulated net assets	32,068	27,497	32,068	27,497

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

External trust fund monies include security and bond deposits lodged to guarantee performance, contract and tender deposits, election nomination and sign fees, proceeds from the sale of land for arrears of rates and unclaimed monies resulting from unrepresented cheques.

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

Ipswich City Council

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

Note 31. Transactions with related parties

(a) Subsidiaries (ie. entities and operations controlled by Council)

Name of Operation/Entity	Interests in Subsidiary	Registration	De-registration
Ipswich City Properties Pty Ltd	100% Ownership	9 March 2009	
Ipswich City Developments Pty Ltd	100% Ownership	13 January 2012	20 June 2019
Ipswich City Enterprises Pty Ltd	100% Ownership	29 December 2000	
Ipswich City Enterprises Investments Pty Ltd	100% Ownership	5 October 2007	
Ipswich Motorsport Park Pty Ltd	100% Ownership	7 March 2016	3 September 2018
Ipswich Arts Foundation	100% Ownership	27 August 1997	7 April 2020
Ipswich Arts Foundation Trust	100% Ownership	27 February 2003	
IA Foundation Ltd	100% Ownership	12 February 2018	
Cherish the Environment Foundation Ltd	50% Ownership	30 November 2011	

Refer to Note 32 for further details.

All amounts are exclusive of GST.

	2020	2019*
	\$'000	\$'000

Transactions with subsidiaries

Amounts received or receivable by Council from subsidiaries

Administration, rental and other services provided.	18	1,174
Return paid up capital from ICD Pty Ltd.	-	410
Dividends received from subsidiaries.	-	7,756
ICP loan receivable partial write-off.	-	(24,925)
ICP assets transferred to Council.	-	46,990
Total	18	31,405

Amounts paid or payable by Council to subsidiaries

Contribution, donation and other services.	64	142
Administration, property management fees and other services.	-	125
Purchase Firestation 101.	-	2,079
Purchase of property and other assets from subsidiaries.	-	10
Total	64	2,356

All funding support given to subsidiaries was agreed to by the Council.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Transactions with related parties (continued)

	2020	2019*
	\$'000	\$'000
(b) Other related parties		
Transactions between Council and other related parties were on an arm's length basis.		
Amounts paid or payable by Council to other related parties		
Contributions, sponsorship and donations. ¹	150	150
Employee expenses for close family members of key management personnel. ²	-	31
Total	150	181

¹ Contributions and sponsorships paid to related entities were on an arm's length basis in accordance with sponsorship and donation policies adopted by Council.

² All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The Council employs 1,187 staff, prior to Council's dismissal 3 staff were close family members of key management personnel.

(c) Associates

For details refer to Note 12 Associates.

(d) Key management personnel

Transactions with key management personnel

Key management personnel consists of mayor, councillors, interim administrator, chief executive officer, general managers and the city solicitor.

On the 20 April 2020 the newly formed council was appointed with elected members of mayor and eight councillors.

The compensation paid to key management personnel comprises:

	2020	2019*
	\$'000	\$'000
Short-term employee benefits	2,548	3,555
Post-employment benefits	176	314
Long-term benefits	42	69
Termination benefits	131	128
Total	2,897	4,066

Short-term employee benefits include wages, salaries, allowances, annual leave, long service leave taken, sick leave, fringe benefits, councillor expense claims (eg. mobile phone charges) and complimentary reduced tickets. Post-employment benefits include superannuation. Long-term benefits include long service leave accrued. Termination benefits include employment termination payments.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Transactions with related parties (continued)

Receivables	Related Entity	2020	2019*
		Receivables \$'000	Receivables \$'000

(e) Outstanding balances

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

Past due 31-60 days	Ipswich City Properties Pty Ltd	-	1
Total		-	1

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

Most of the entities and people that are related parties of council live and operate within the Ipswich district. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties.

Some examples include:

- Payment of rates
- Use of Council's civic, sporting and recreational facilities
- Dog registration
- Borrowing books from a Council library
- Parking fees and infringements

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

Note 32. Controlled Entities Transition

Ipswich City Council resolved to wind-up the following controlled entities:

<u>Name of Controlled Entity</u>	<u>Resolution Date</u>
Ipswich Motorsport Park Pty Ltd	23 April 2018
Ipswich City Enterprises Pty Ltd	23 April 2018
Ipswich City Enterprises Investment Pty Ltd	23 April 2018
Ipswich City Developments Pty Ltd	23 April 2018
Ipswich City Properties Pty Ltd	16 October 2018

Following the Council resolutions, Ipswich Motorsport Park Pty Ltd (IMP) and Ipswich City Developments Pty Ltd (ICD) have been deregistered. Ipswich City Properties Pty Ltd (ICP) is currently being wound up through a members voluntary liquidation and Ipswich City Enterprises Pty Ltd (ICE), Ipswich City Enterprises Investments Pty Ltd (ICEI) remain registered companies but are not actively trading.

Accounting requirements

There have been no transactions between the above controlled entities and Ipswich City Council in the 2020 financial year.

In accordance with the Deed of Release between Ipswich City Properties Pty Ltd and Ipswich City Council, related to the distribution of ICP's assets, Ipswich City Council has paid during the period a number of minor costs on behalf of Ipswich City Properties Pty Ltd.

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 32. Controlled Entities Transition (continued)

	Notes	Controlled Entities 2019 \$'000
<p>Tabled below are the assets transferred to Council, along with their respective carrying value, as disclosed within the controlled entities financial statements as at the 20 June 2019. ICD was deregistered on 20 June 2019.</p>		
<h4>Ipswich City Developments Pty Ltd</h4>		
Assets transferred or sold to Council		
Paid up capital returned	9	410
Cash - Dividend paid	4 (a)	2,541
Land sold to Council (Fire station - 101 Limestone Street, Ipswich)	14	2,000
Furniture and Fittings sold to Council	14	10
Total assets transferred to Council		4,961
<h4>Ipswich City Enterprises Pty Ltd</h4>		
Assets transferred or sold to Council		
Cash - Dividend paid	4 (a)	5,215
Furniture and Fittings sold to Council	14	69
Total assets transferred to Council		5,284
<h4>Ipswich City Enterprises Investments Pty Ltd</h4>		
Assets transferred between controlled entities		
Cash - Dividend paid to ICE		4,885
Total assets transferred between controlled entities		4,885
<h4>Ipswich City Properties Pty Ltd</h4>		
Assets transferred or sold to Council		
Property, plant and equipment	14	12,769
Capital works in progress	14	19,176
Investment Property	13	15,045
Total assets transferred to Council		46,990
Liabilities eliminated upon assets transferred to Council		
Borrowings		71,915
Write-off of Borrowings	8	(24,925)
Total assets transferred to Council		(46,990)
Total liabilities as at the 30 June 2019		-

Ipswich City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 33. Other matters

As a result of previous Crime and Corruption Commission (CCC) investigations, serious charges were laid against former Councillors and former or current council employees which have proceeded to court or for which court proceedings remain on-going. In addition the former Mayor and Councillors were dismissed on the 22 August 2018 after the Queensland Parliament passed the Local Government (Dissolution of Ipswich City Council) Bill 2018 and an Interim Administrator was appointed.

Following the local government elections on 28 March 2020, a new Council was elected.

To the best of Council's knowledge at the date of this financial report, there is no material impact in relation to the matters identified through any investigation, on this financial report.

Note 34. Significant Financial Impacts from COVID-19 Pandemic

Council
2020
\$'000

The following significant transactions were recognised during the 2019-20 financial year in response to the COVID-19 pandemic.

Operating Statement

Significant expense and revenue items arising from COVID-19.

Pandemic Leave paid	101
Refunds of previously levied fees and charges	230
Refunds or waivers of licences and permits	194
Refunds of booking fees and venue hire for community organisations	93
Additional impairment of receivables specifically due to COVID-19 impacts	200
Reduction in interest revenue relating to rates (estimated)	50

Council waived the collection of licence and permit revenue from 1 March 2020 to 30 September 2020. The amount of revenue forgone from 1 March 2020 to 30 June 2020 is calculated to be \$193,947 based on licences and permits renewed during this time.

Rates relief provided short-term and immediate relief to all ratepayers, the discount and due date for payment of the April-June 2020 quarterly rates notice, was extended from 14 May 2020 to 18 June 2020. Impact on Council's interest revenue, as a result of the potential delay in receiving rate payments (cash flow), will be estimated at \$50,000 for the April-June 2020 period.

Balance Sheet

Significant changes in assets, liabilities and equity transactions arising from COVID-19.

Additional impairment of receivables specifically due to COVID-19 impacts	200
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Asset valuations performed by valuers assessed the impact of COVID-19 for the valuation as market uncertainty which is not measurable as the uncertainty arises from the inability to observe and reconcile the impact of the event(s) on market prices as at the valuation date.

Ipswich City Council

General Purpose Financial Statements for the year ended 30 June 2020

Management Certificate for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) 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 Regulations 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 2 to 64, 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.



Teresa Harding

MAYOR

12 October 2020



David Farmer

CHIEF EXECUTIVE OFFICER

12 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Ipswich City Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Ipswich City Council (the council) and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the council's and group's financial position as at 30 June 2020, and of their financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2020, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Ipswich City Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement. The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Conclude on the appropriateness of the council's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

Report on other legal and regulatory requirements

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

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



Patrick Flemming
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Ipswich City Council

Current Year Financial Sustainability Statement for the year ended 30 June 2020

	Actual Consolidated 2020	Actual Council 2020	Target 2020
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Measures of financial sustainability

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

Performance indicators

1. Operating surplus ratio

<u>Net result (excluding capital items) ⁽¹⁾</u>	2.71%	0.06%	0 - 10%
Total operating revenue (excluding capital items) ⁽²⁾			

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset sustainability ratio

<u>Capital expenditure on the replacement of assets (renewals) ⁽³⁾</u>	68.08%	68.08%	more than 90%
Depreciation expense			

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net financial liabilities ratio

<u>Total liabilities less current assets</u>	57.81%	59.51%	less than 60%
Total operating revenue (excluding capital items) ⁽²⁾			

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Note 1 - basis of preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2020.

Ipswich City Council

Current Year Financial Sustainability Statement
for the year ended 30 June 2020

Certificate of Accuracy
for the year ended 30 June 2020

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

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



Teresa Harding

MAYOR

12 October 2020



David Farmer

CHIEF EXECUTIVE OFFICER

12 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Ipswich City Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Ipswich City Council for the year ended 30 June 2020, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Ipswich City Council for the year ended 30 June 2020 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Ipswich City Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement. The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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



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

A handwritten signature in blue ink, appearing to read "P. Flemming", is written over a faint, illegible printed name.

Patrick Flemming
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Ipswich City Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
							Forecast					

Measures of financial sustainability

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

Performance indicators - Consolidated

1. Operating surplus ratio

Net result (excluding capital items) ⁽¹⁾

Total operating revenue (excluding capital items) ⁽²⁾

Target	0 - 10%	2.71%	-2.95%	-1.48%	1.01%	2.92%	5.53%	6.78%	8.84%	10.21%	11.43%	10.99%
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) ⁽³⁾

Depreciation expense

Target	> 90%	68.08%	69.06%	82.09%	81.04%	82.25%	82.28%	88.37%	87.58%	94.79%	101.92%	104.98%
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net financial liabilities ratio

Total liabilities less current assets

Total operating revenue (excluding capital items) ⁽²⁾

Target	< 60%	57.81%	94.33%	99.58%	84.91%	78.82%	70.94%	63.40%	51.37%	45.76%	44.06%	44.29%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Ipswich City Council

Unaudited Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Forecast				

Measures of financial sustainability (continued) Performance indicators - Council

1. Operating surplus ratio

Net result (excluding capital items) ⁽¹⁾

Total operating revenue (excluding capital items) ⁽²⁾

0 - 10%	0.06%	-2.95%	-1.48%	1.01%	2.92%	5.53%	6.78%	8.84%	10.21%	11.43%	10.99%
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) ⁽³⁾

Depreciation expense

> 90%	68.08%	69.06%	82.09%	81.04%	82.25%	82.28%	88.37%	87.58%	94.79%	101.92%	104.98%
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net financial liabilities ratio

Total liabilities less current assets

Total operating revenue (excluding capital items) ⁽²⁾

< 60%	59.51%	94.33%	99.58%	84.91%	78.82%	70.94%	63.40%	51.37%	45.76%	44.06%	44.29%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Ipswich City Council

Unaudited Long-Term Financial Sustainability Statement (continued) prepared as at 30 June 2020

Measures of financial sustainability (continued)

Ipswich City Council 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.

Ipswich City Council

Unaudited Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2020

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

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



Teresa Harding

MAYOR

12 October 2020



David Farmer

CHIEF EXECUTIVE OFFICER

12 October 2020