



ANNUAL REPORT

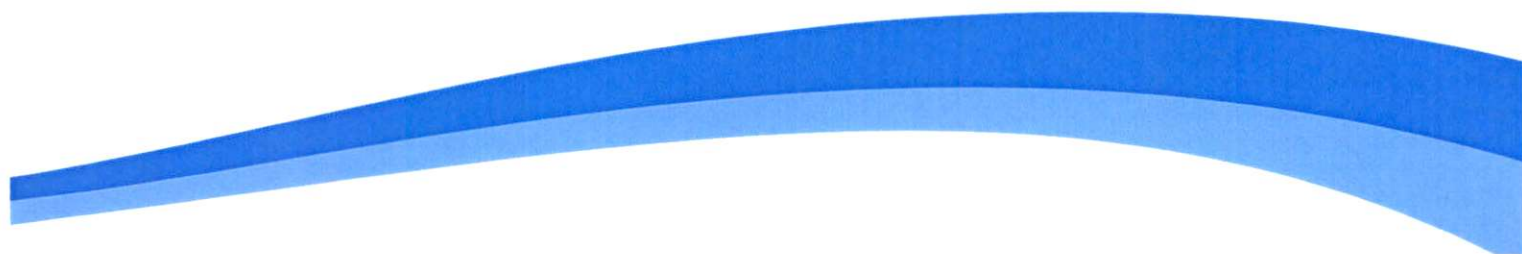
2019-2020



Somerset
REGIONAL COUNCIL

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HISTORY AND PROFILE

Somerset Regional Council was formed on 15 March 2008 following the amalgamation of Esk Shire and Kilcoy Shire Councils.

Somerset Regional Council has a Mayor and six Councillors who are elected by their constituents and serve a four-year term.

This regional local government is one-hour west of Brisbane and has strong agricultural, environmental, heritage and tourism values. It contains important vegetation and forest, areas of high scenic and landscape amenity and significantly, the key water catchments for South-East Queensland.

The Somerset region is home to about 26,000 people with an area of 5382 sq. km and major townships of Esk, Fernvale, Kilcoy, Lowood and Toogoolawah. Neighbouring local governments are Brisbane City, Moreton Bay, Sunshine Coast, Gympie, South Burnett, Toowoomba, Lockyer Valley and Ipswich City.

Somerset Regional Council's logo represents the region's two major dams, with the larger body of water representing Wivenhoe and the smaller body being Somerset. The overall shape of the icon with the water flowing from Somerset to Wivenhoe creates the shape of an 'S'.

The previous Esk and Kilcoy Shire Councils had adopted floral and fauna emblems. The continued use of these emblems is symbolic, given none of the emblems are reflected in the logo. On 19 December 2008 Council adopted the following emblems:

- | | |
|---------|--|
| Floral: | Weeping bottlebrush (<i>Callistemon viminalis</i>) |
| | Native frangipani (<i>Hymenosporum flavum</i>) |
| Faunal: | Red deer (<i>Cervus elaphus</i>) |

Deer were first introduced into Queensland in September 1873 when two stags and four hinds were released at Scrub Creek, Cressbrook Station. These deer were from Windsor Great Park and were a gift from Queen Victoria to the Acclimatization Society of Queensland. Today, the descendants of the original release are well entrenched in the ranges of the Brisbane and Mary Valleys.

Somerset Regional Council covers the largest local government land area in South-East Queensland and has the smallest rate base. Despite the challenges, the region continues to develop in an economically, environmentally and socially sustainable way.

MAYOR'S REPORT

It is with pleasure that I present Somerset Regional Council's Annual Report for the period of 1 July 2019 to 30 June 2020.

This financial year brought about a raft of challenges with a global pandemic on the back of ongoing drought. Nevertheless, council continued its focus on supporting our community and enhancing our rural amenity.

Council stepped up its community support by responding to the challenges presented by the COVID-19 pandemic by supporting our constituents economically. Despite closing our council offices and visitor information centres to the public for seven and a half weeks, we diversified our council offerings and continued business in the new normal by providing phone support and services, click and collect library services, online storytimes to keep the community engaged and much more.

This pandemic response resulted in reduced operating revenue in FY2020 compared to FY2019 while Council's operating costs and overall capital investments increased.

Council has sought to contain its operating costs to maintain long term affordability and sustainability while supporting our community and small businesses when they need it most.

It has been a balancing act but council's good financial sustainability and debt free status has put us, and our community, in good stead to overcome the challenges presented by pandemic shutdowns and travel restrictions.

In amongst the pandemic, the local government elections were held in March 2020. We welcomed two new elected members to the team, Councillors Jason Wendt and Kylee Isidro following the retirement of Dan Hall and Otis Ogg. In December 2019, we welcomed Andrew Johnson into the role of Chief Executive Officer to lead the council.

Somerset is a resilient and determined community. Despite the challenges, with strong leadership and our ongoing commitment to delivering for our community, together we can, and will, continue to make a positive difference while celebrating our successes along the way.

I thank and congratulate everyone involved in representing our region so successfully and showing resilience and camaraderie when the going gets tough.

Along with my colleagues Deputy Mayor Helen Brieschke, Councillors Sean Choat, Cheryl Gaedtke, Bob Whalley, Jason Wendt and Kylee Isidro, I am proud to work with residents for the growth and betterment of Somerset.

Graeme Lehmann
Somerset Regional Council Mayor

CHIEF EXECUTIVE OFFICER'S REPORT

The year of 2019 - 2020 will go down in the history books as a year like no other. It has been a challenging year with the Somerset Region enduring the ongoing effects of drought, the devastating impacts of fires in the second half of 2019, a short sharp rain event in the northern part of the region in February 2020 causing local flooding and damage to infrastructure, followed by the global impact COVID-19 bestowed upon us in early 2020.

Fortunately, Council's solid financial management over the last decade has enabled Somerset to respond to the needs of the community and ensure a consistent level of service has remained while helping out the most needy in our community via various strategies and policies.

As observed in the financial statements, Council had a deficit of \$1.3m in the 2019 - 2020 financial year; however, albeit undesirable, this was the right thing to do to support the community.

Council remains focused on delivering its vision *"affordable rates – effective services"* and embedding the Corporate Plan into everyday business, meanwhile successfully performing the actions contained within the Operational Plan.

Regardless, thanks to the hard work of staff and the Council, the Queensland Audit Office (QAO) again gave unqualified opinions on Council's financial management and financial sustainability. This is the thirteenth consecutive unqualified report.

The Local Government quadrennial elections were held in March 2020. This represented a milestone for two of the existing Councillors, Deputy Mayor Dan Hall and Councillor Otis Ogg deciding not to recontest and to refocus their energies elsewhere. Thanks to Cr Hall and Cr Ogg for their many years of service to our community.

The remaining Councillors re-contested the election and were returned to office with two new Councillors elected in Councillor Kylee Isidro and Councillor Jason Wendt. Mayor Graeme Lehmann returned as Mayor unopposed.

I do wish to recognise the vision, strategic direction and leadership offered by past and present Councillors. In challenging times, Council has accepted difficult circumstances and looked for sensible solutions for the betterment of the region.

Soon after the election, Council was extremely responsive in identifying the immediate needs of our region and how to assist in the wake of the impact of COVID-19, and by May 2020 had adopted the Somerset Region Battleplan, which determined the best way for Somerset to recover from drought, bushfire and COVID-19. Council has used this Battleplan to advocate for funding to both the State and Federal Governments for grants for various projects.

It was pleasing that by the end of the financial year, Council had received \$9.4m in funding dollars. This Council is focused on looking for opportunities in adversity to progress this wonderful region.

This is my first CEO report, and I must say, it has been a tough year to take up the role within Council. I am thankful that I am not new to the organisation having worked for Council since 2008 in engineering functions.

I must also thank the former Acting CEO, Mr Bob Holmes, for his contribution to Council between August and December 2019.

Congratulations must go to the staff of Somerset Regional Council (*Team Somerset*) for their ongoing dedication to executing an extensive array of services for our region with diligence.

As I said at the start of my report, this year has been a year like no other, and with courage and persistence, *Team Somerset* has been willing to innovate and able to adapt to find new ways of delivering services in a socially distanced world.

Andrew Johnson
Chief Executive Officer

ELECTED MEMBERS

Somerset Regional Council has seven elected representatives who are responsible for formulating Council policies, the corporate plan and operational plan, and making decisions to achieve the Council's goals.

The Somerset region is undivided for electoral purposes. Each Councillor represents the overall public interest of the region. The Mayor and Councillors are elected by all voters in Somerset. Elections were last held on 28 March 2020, with the following Councillors elected:



Cr Helen Brieschke (Deputy Mayor), Cr Robert (Bob) Whalley, Cr Graeme Lehmann (Mayor),
Cr Jason Wendt, Cr Kylee Isidro, Cr Sean Choat, Cr Cheryl Gaedtke.

FINANCE HIGHLIGHTS

- Finance officers coordinated completion of new Kilcoy Racecourse spectator facilities by November 2019 - seven months ahead of funding agreement requirements and operational plan requirements. This was a key capital renewal project for 2019/2020.



- Council's Audit Committee process and internal audit program were critical in preparing Council for pandemic (and other disaster events) through our new business continuity plan (BCP). The timeline to preparing and successfully activating the BCP was as follows:

March 2019 -
business
continuity
planning (BCP)
was included in
the internal audit
program by the
Audit Committee

December 2019 -
internal auditors
Crowe completed
their review of the
new BCP with a
favourable report

March 2020 -
COVID 19
pandemic
declared and
Council
successfully
activated its BCP

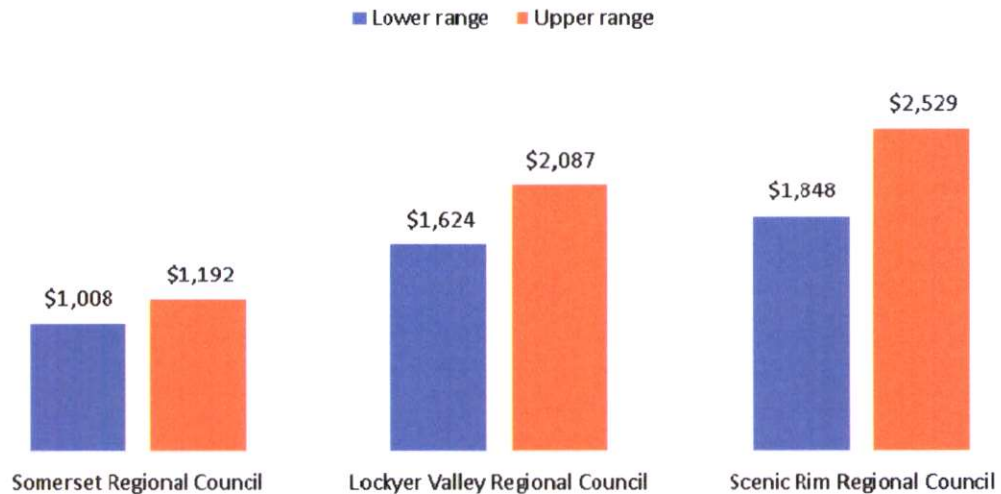


October 2019 -
Council adopted
its first-ever
business
continuity plan
(BCP). This
included planning
for a pandemic

February 2020 -
Council adopted a
BCP policy for the
first time

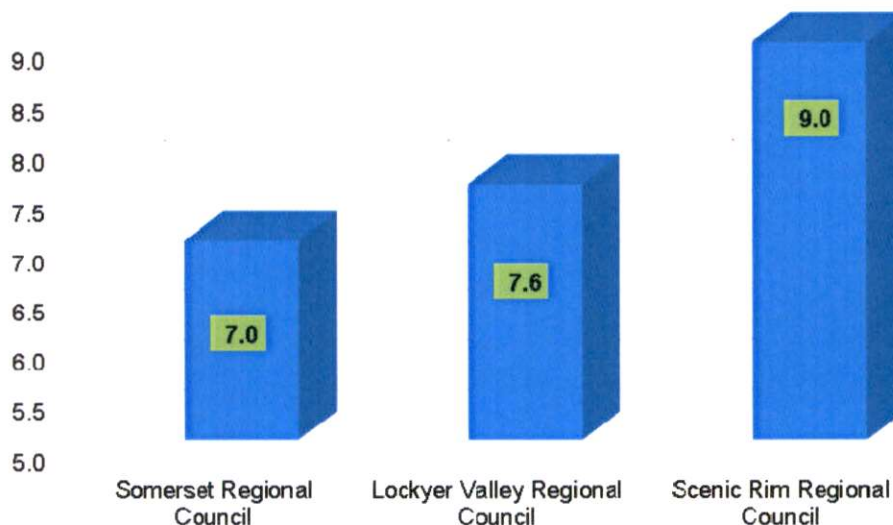
- Average net residential rates and charges for Somerset property owners remained the most affordable in SEQ due to Council's low-cost structures and consistent with Council's vision of affordable rates – effective services. Affordable rates are a service:

Affordable rates - effective services in uncertain times
Annual net average residential rates and charges - FY2020 (Source: DLGRMA)



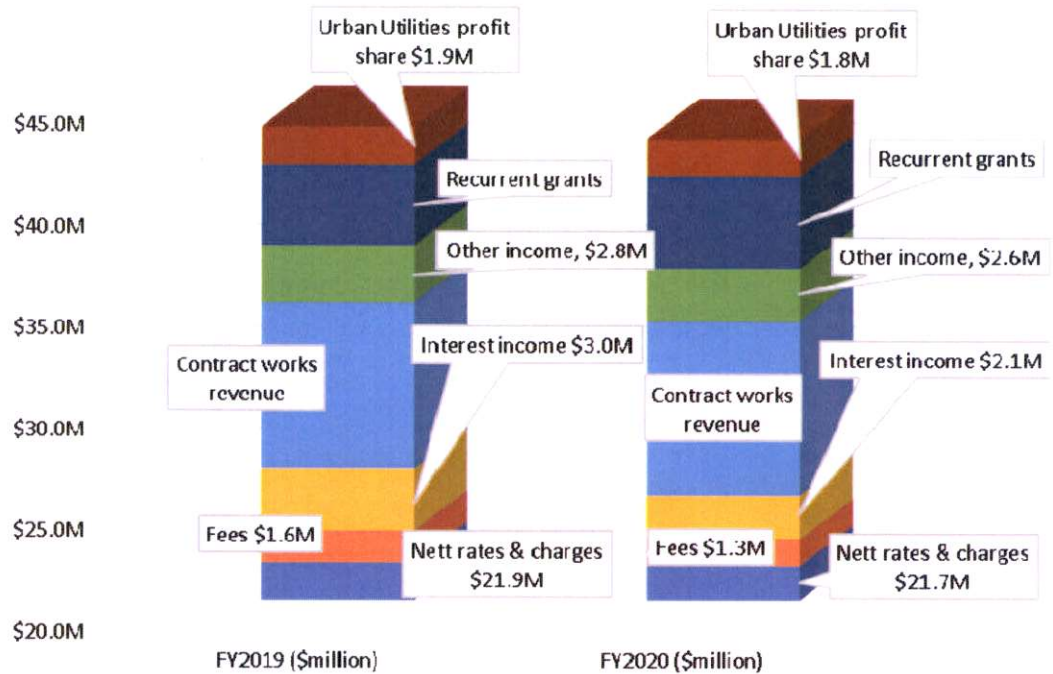
- Somerset Regional Council remained the most efficient council in Queensland with a population of less than 50,000 as measured by the ratio of full time equivalent employees per 1,000 residents as at July 2019. Affordability and efficiency are linked as below.

Doing more with less
Full time equivalent employees per 1,000 residents
(Source: DLGRMA)



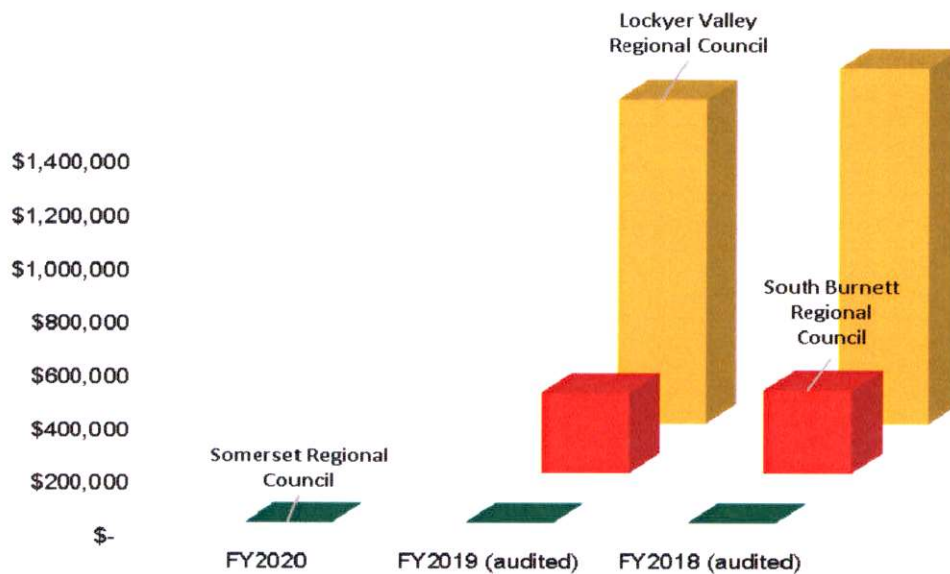
- Supporting the community economically during the COVID-19 pandemic meant reduced operating revenue in FY2020 compared to FY2019 while Council's operating costs and our overall capital investments increased. Council has sought to contain operating costs to maintain long term affordability and sustainability in accordance with 10-year financial plans required under the operational plan.

COVID deficit - decline in operating revenue FY2019 to FY2020



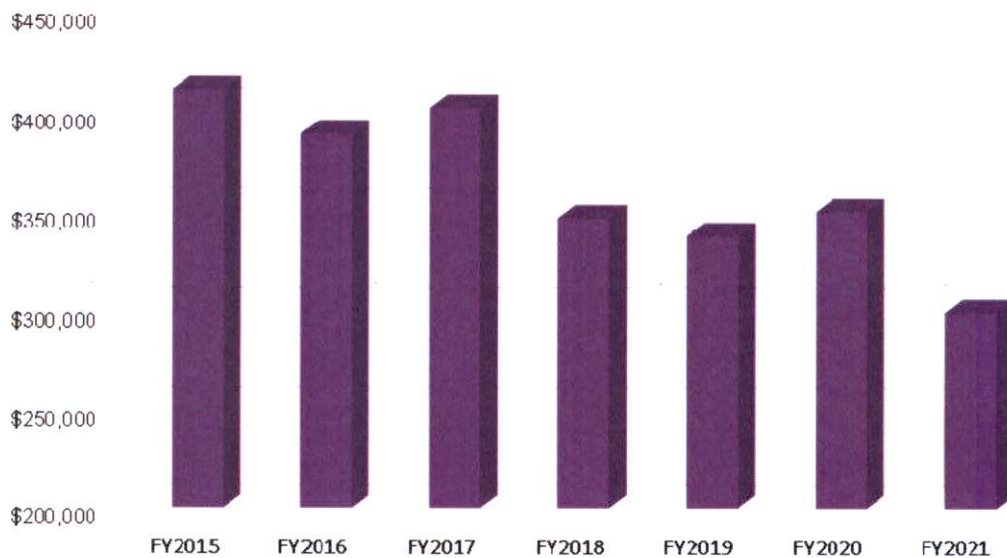
- Council adopted an ICT needs analysis and ICT strategy for the first time in July 2019 aligned with Council's vision of affordable rates - effective services and operational plan objectives. The ICT strategy was authored by finance and ICT staff and focuses on agility and avoiding anchoring Council's technology to one business partner.

Our lean IT strategy - comparative new software costs



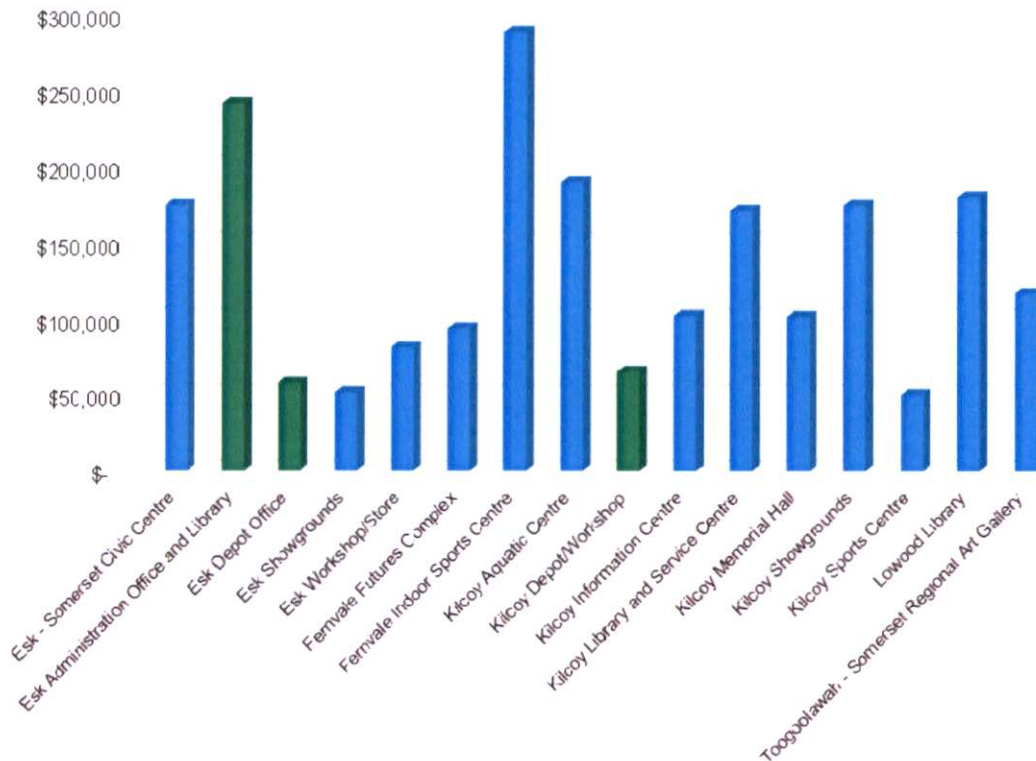
- Council worked with its insurers following major bushfires to develop options to better manage future property insurance costs with risks. Council formalised changes in its risk management policy during the year with operating cost savings. Risk frameworks were maintained in accordance with operational plan requirements.

Managing property insurance costs and risk after bushfire, flood and COVID19



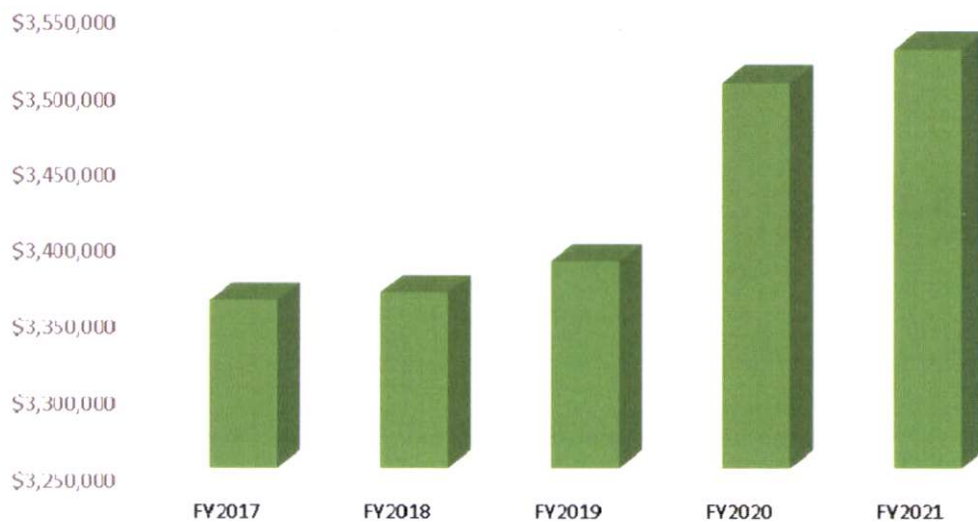
- Council completed 13 money-saving rooftop solar installations during FY2020. These were part-funded by the Queensland Government under the Local Government Grants and Subsidies Program 2019-2021 (LGGSP). Somerset was the first Council to complete its LGGSP projects. Timely completion of grant projects helps us attract further grants:

Forecast community savings over 20 years (Peak Services) from completed rooftop PV solar projects - total \$2.1 million (blue = completed FY2020, green = FY2019)



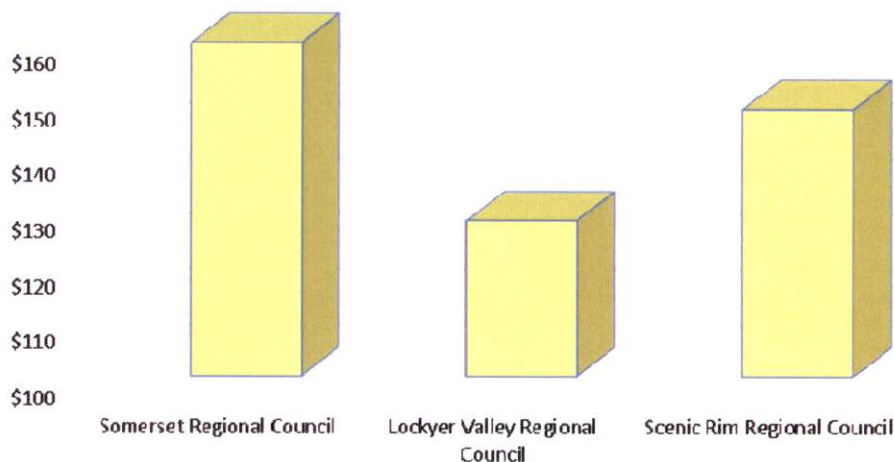
- Council attracted around \$9M in grants to Somerset during FY2020, including the first real increase in announced Commonwealth financial assistance grants in three years. Council is grateful to the Australian and Queensland Governments for their support.

Announced financial assistance grants to Somerset (source: QLGGC)
(Please note: revenue recognised in financial statements is affected by timing of payment)



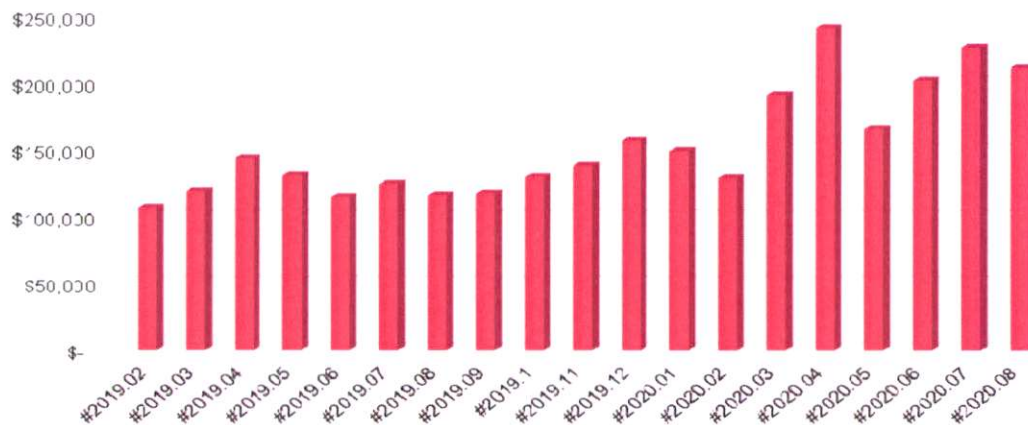
- Council applied for capital funding during FY2020 including under the Queensland Government's Unite and Recover Program part 2 – ultimately successfully - to improve the Brisbane Valley Rail Trail surface (50% of \$2.1 million) and upgrade Lowood Minden Road (50% of \$3.4 million). FY2020 capital grants were 36% of total capital expenditure as per operational plan measure.
- Somerset continued to enjoy a good working relationship as an equity participant in Urban Utilities during FY2020 with positive results for the local community.

Comparative FY2020 Urban Utilities profits returned per rateable property



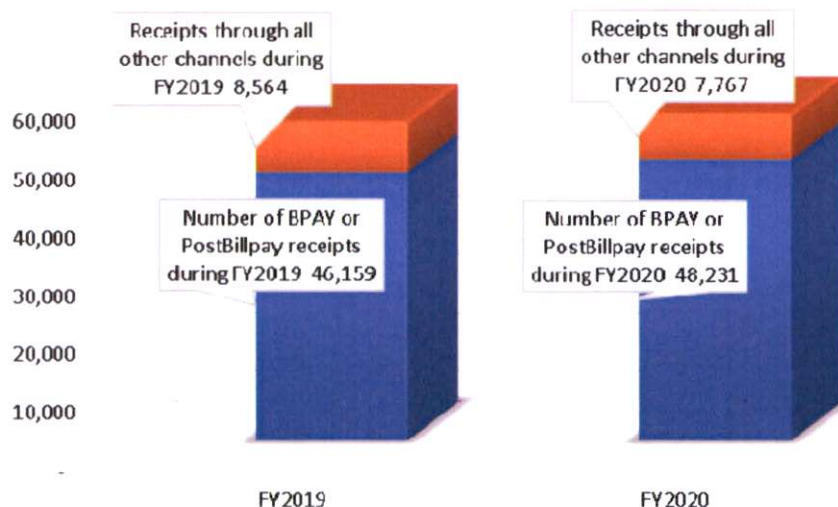
- Prudent investment practices returned interest revenue to the community from all sources during the year that was equivalent to \$181 for each rateable property.
- Payments made by Council to suppliers of goods and services with Somerset addresses in FY2020 equalled 50% of Council's total net rates and charges for the year. Employee benefits and Councillor remuneration were in addition to these local supplier payments.
- Council accelerated payments to suppliers in FY2020 including through an 80% increase in monthly credit card payments compared to the same period during FY2019 to help boost supplier cash flow during the pandemic and to manage Council transaction costs.

Monthly aggregate credit card transactions - pre- and post-COVID 19 pandemic (March 2020)

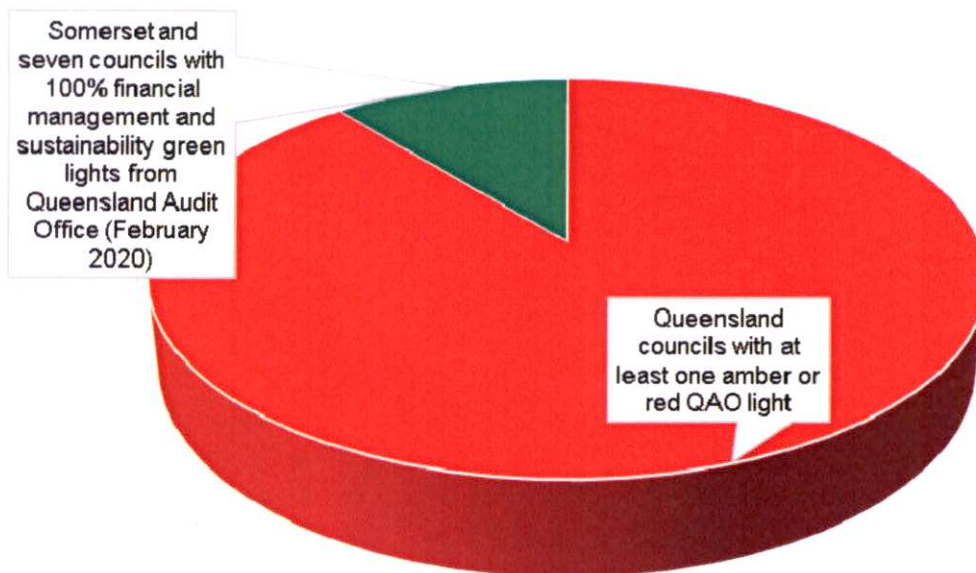


- Council streamlined processes to achieve reduced cash handling and transaction costs including instant assignment of electronic payment reference numbers to development applications, implementation of NAB Flexipurchase to better manage credit card transactions and implementation of VendorPanel tendering software.

Reducing risk and transaction costs by growing Bpay and PostBillpay receipting volumes by 4%



- Queensland Audit Office (QAO) confirmed in February 2020 that Somerset Regional Council was one of only 8 councils to achieve “green lights” across all financial management and financial sustainability criteria in its annual local government report to Parliament. Council exceeded operational plan requirements for audit outcomes.



- Council commenced 30 overdue rate land sale actions during the year and successfully finalised these actions without recourse to sale.
- Council's operational plan and corporate plan objectives for the year for the finance department were met in full.
- Council takes its financial disclosure obligations seriously and readers should refer to Council's audited financial statements and current year sustainability statement for further information.
- Council and Urban Utilities jointly applied to the Queensland Government during the year for permission for Council to loan \$30 million to Urban Utilities under innovative, long-term, mutually beneficial interest rate setting arrangements. This reflected Council's desire to arrest the decline in its interest earnings caused by worldwide reductions in market interest rates and resulting challenges for Council in delivering on its vision of affordable rates, effective services. The application was approved by the Under-Treasurer of Queensland following a lengthy statutory process.

CORPORATE AND COMMUNITY SERVICES

Records Management

Council's correspondence is processed by the Records Department and entered into MagiQ the Electronic Document and Records Management System. Statistics for the past year are outlined below.

Documents Registered	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
Total Number of Documents Registered	83,724	77,470	78,898	71,144
Incoming	27,537	26,738	23,682	21,236
Internal Documents	5,759	6,277	6,904	5,137
Outgoing Documents	22,177	19,988	19,786	18,114
Actioned Documents	9,015	8,066	11,269	10,119
Customer Requests	5,267	4,299	5,441	4,983
Councillor Request	86	95	178	212

During this period, Council received four applications seeking access to Council's corporate memory under the *Right to Information Act 2009*.

Right to Information Applications for Financial Year	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
	8	2	4	3

There were also various other requests for review of Council's decisions using Council's internal review processes. These are outlined below.

Internal Reviews	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
	3	6	10	5

Application for Review of Local Government Decision	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
	5	2	3	6

Departmental Review – Level One	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 – 2019	2017 – 2018	2016 – 2017
Corporate Services Department	0	0	0	1
Operations Department	9	8	29	9
Planning and Development Department	0	0	1	0

Below indicates the response time recorded for tasks sent to officers via Council's electronic document management system.

Completed Response Time 2019 - 2020	
0 – 7 days	71.55%
8 – 14 days	10.42%
15 – 21 days	6.5%
22 – 28 days	3.2%
29 – 60 days	4.53%
61 – 90 days	1.22%
91 – 180 days	2.26%
180+ days	.32%
TOTAL	100%

Information Technology

Council's Information Technology resources consist of a geographically dispersed medium size computer network with multiple branch sites throughout the Council region including Esk administration centre, Kilcoy and Lowood customer service centres, and four libraries, works depots, SES depots, visitor information centres, other remote offices and an increasing number of mobile computing devices.

Computer network performance

Ongoing maintenance, upgrades and replacement of computing devices, network infrastructure and associated hardware and software continue in line with Council's budgetary commitments. The availability of NBN connections and improving mobile network coverage offers significant opportunities for advances in mobility and integration, while increasing cyber security risks are requiring additional focus and resources in this area.

Development application tracking system

Council's eServices portal (eservices.somerset.qld.gov.au) continues to provide 24/7 information via our website, including development application details, property information including zoning and other planning overlays, mapping, cemetery register enquiries, library catalogue enquiries, online rate payments and access to flood camera images. The portal received over 14,000 visits during the financial year.

ICT Strategy

ICT Strategy and associated documents were delivered and/or reviewed. Ongoing participation in regional ICT forums and groups such as the SEQ CIO group at both local and state government levels provides the ability to continually review strategies to ensure that they are in line with best practice and regional collaboration requirements, and to leverage the negotiating power and experience of larger organisations.

Community Development

Active advocacy for improved health services

Advocacy activities were carried out to improve health services in the region, using a variety of means:-

Community Connection Points

The Esk Community Connection Point continued to host support services until the onset of COVID-19. The space is made available for use by outreach services, for example, drug and alcohol counselling and allied health professionals.

Interagency networks

Council coordinates the regional interagency networks and these are an important vehicle for advocacy around community needs and solutions. Council has also supported the emergency relief network, inter-council drought network and participated in the Local Government Network Group teleconferences, Community Development Coordinators Network, Moreton Bay and Ipswich/West Moreton Local Level Alliance Networks and Neighbourhood Centres quarterly meetings.

Activities

Prior to COVID-19, monthly gatherings were held at Esk Community Connection Point which brought a range of services out to these communities through guest speakers on topics. Services have gained a better understanding of Somerset community needs through these processes and some have continued to outreach. Residents were able to access information about services through the Connection Point or via the phone using Council's customer service centre.

Events

Events provide an opportunity for services to interact with residents in a soft entry approach. The Teddy Bears Picnic and Regional Seniors Event provided venues for relevant service providers to provide information on health and other services which outreach into the area. They are well supported by the service providers and enjoyed by the community. A new event in Lowood, the Mad Hatters Tea Party was also planned to improve access to services for families with children under eight years, but it had to be cancelled at short notice, due the onset of the pandemic. A workshop, in partnership with the Rural Financial Counselling Services, was held in Toogoolawah. Guest speakers from various agencies shared information about grants, allowances and services to help farmers understand what was available for drought and mental health support. In Kilcoy, Women's Health Week was celebrated with an expo of health and welfare services and a movie night held in the grounds of the Kilcoy Hospital. These events provide services with an opportunity to understand the needs of the community and encourage them to have more frequent outreach.



Women's health week expo – Kilcoy Hospital September 2019



Teddy Bears Picnic – September 2019

Partnerships

Council continued a strategic partnership with the West Moreton Hospital and Health Service (WMHHS) and the Darling Downs West Moreton Primary Health Network to address youth mental health and wellbeing in the southern part of Somerset.

Council partnered with members from the Ipswich Police District and Child Safety in the Ipswich and West Moreton Child Protection Week committee and worked with the other members to provide activities in Child Protection Week, including a Gala Ball and symposium.

Community Engagement

Council used "Have Your Say" as well as paper surveys and face to face consultation with community groups to determine the needs and priorities for Kilcoy Youth and their families.

Council partnered with West Moreton Health in community engagement activities throughout Lowood and surrounding district including focus groups with Lowood high school students to determine the need of and priorities for Lowood Youth.

Council continues to engage with other community members to work towards improved opportunities for seniors, mental health supports and transport outcomes.

Sport and Recreation

The 2019-2020 financial year has seen Somerset Regional Council implementing a range of programs, projects and events aimed at providing Somerset residents with enhanced opportunities to be more physically active. Council is continually searching for new initiatives to implement within the community and to improve existing services.

Indoor Sports Facilities Operations

The 2019-2020 financial year saw the conclusion of three-year management agreements at the Fernvale Indoor Sports Centre (FISC), Kilcoy Indoor Sports Centre (KISC) and Toogoolawah Community Gym (TCG) on 31 August. Following an open tender process, new management agreements were entered into from 1 September 2019. PCYC Queensland were awarded a five-year agreement to operate the FISC and Somerset Health and Fitness were awarded a five-year agreement to operate the KISC and a three-year agreement to operate the TCG.

The FISC experienced an annual decline in patronage following a five-month refurbishment closure and the impacts of the COVID-19 pandemic. Whilst monthly patronage figures have fell below the annual norms, PCYC set two membership records in March (364) and May (370). Significant works undertaken by Council at the FISC included construction of a recess within an existing court to allow for a foam gymnastics pit and converting the existing gymnasium space to 24-hour access. PCYC Qld installed an extensive range of new gym and gymnastics equipment at the facility.

Despite the impacts of the pandemic, the KISC and TCG facilities saw only a marginal decline in annual patronage. Prior to the pandemic both facilities were on track for record annual patronage records. The KISC almost broke monthly patronage records in August (2,176) and October (2,102), whilst the TCG set a monthly patronage record in July (414).

In February 2020, Council was informed of a successful funding application through the Queensland Government Active Community Infrastructure program to construct a new TCG adjacent to the Toogoolawah Swimming Pool. The funding includes heating for the pool. The project is scheduled for completion in June 2021.

Aquatic Facility Operations

Management agreements concluded for the Esk Swimming Pool, Kilcoy Aquatic Centre, Lowood Swimming Pool and Toogoolawah Swimming Pool on 31 August 2019. Following an open tender process, Somerset Leisure (formerly trading as Aqua Antics) were awarded three-year management agreements for all four facilities from 1 September 2019.

Despite significant rain through February and an early closure of facilities due to the pandemic the Esk, Kilcoy and Lowood facilities all had an annual increase on patronage relative to the 2018-19 season. The Toogoolawah Swimming Pool had a marginal decrease.

The Kilcoy Aquatic Centre set a monthly patronage record in November (7,090). Other facilities had notable patronage attendances, including; the Esk Swimming Pool had its highest monthly patronage in December (1,281) since February 2016; the Lowood Swimming pool had its highest monthly patronage in November (5,100) since December 2015; and the Toogoolawah Swimming Pool had its highest monthly patronage in November (2,062) since November 2016.

There were no notifiable incidents at any of the four facilities for the 2018-19 season.

A six-monthly reporting mechanism for pool maintenance and capital works was instituted in November 2019. The regularly report provides Council with information regarding priority maintenance work and capital projects to ensure a safe and enhanced user experience at each facility.

Promotion of Sport and Recreation

In 2019-2020 facility information was updated on the Council website to include updated operating hours at the indoor sports facilities and aquatic centres, and include all Somerset Region showgrounds, racecourses and outdoor sporting facilities.

An updated Somerset Club Toolkit was drafted and published on the Council website. The Toolkit is specifically aimed at Sport and Recreation clubs but may be applied to other not-for-profit community associations. The free club resource provides advice on day to day operations and management of community clubs.

The Somerset Active & Healthy Directory transitioned to a live online database available for viewing on the Council website. The directory will now be permanently updated based on advice from Somerset sport and recreation clubs.

A Digital Communications Workshop was held for Somerset Sport and Recreation Clubs in the Simeon Lord Room in November. The workshop saw representatives from six organisations from throughout the region participate.

In collaboration with the Council Wellness Committee, health and well-being activities were promoted internally to Council staff the LIFE program. The LIFE program allows staff to get involved with social, physically active and preventative health activities. The year saw record participation in the Council 10,000 steps challenge and in the Somerset Rail Trail Fun Run or Ride. In addition to these activities, Council also signed onto the Australian Red Cross Lifeblood Teams program for the first time.

Somerset Rail Trail Fun Run 2019

The 17th annual Somerset Rail Trail Fun Run or Ride was held on Sunday 14 July 2019. The event reached 970 registered participants across three formats.

The 17th instalment of the event was one of the most successful to date, with a 73 per cent increase in registrations from 2018. There was strong growth across a range of categories, including:

- Increased growth through all age ranges, particularly participants aged 18 and under (162 per cent) and 70 and older (154 per cent).
- Increased growth in local and regional areas, particularly the Brisbane (90 per cent) and Toowoomba areas (133 per cent).
- 539 returning (105 per cent growth) and 429 new (44 per cent) registrations.

The event reached a wider audience than ever before. The Somerset Rail Trail Fun Run or Ride social media reached an audience of more than 30,000 people, with social media following increasing by about 25 per cent.

Brendan Press was the overall winner with a time of 26 minutes and 42 seconds, whilst Tamara Carvolth again claimed the women's title with a time of 28 minutes and 35 seconds.

Council donated \$2 from every race entry to event beneficiary, the Brisbane Valley Rail Trail User's Association.

Somerset Sports Cup

The fourth annual Somerset Sports Cup was held on 23 August 2019 at the Toogoolawah State High School (TSHS). Approximately 150 students from Lowood State High School (LSHS), Kilcoy State High School (KSHS) and TSHS competed in the carnival. The format included junior (ages 12-14) and senior (ages 15-17) competitions in netball, soccer and touch football. Council provided free transport for all schools to attend the event, as well as first aid and coordination services. LSHS won the Somerset Sports Cup for only the second time, whilst a combined teachers' team (LSHS, KSHS and TSHS) defeated a combined police stations team. Police officers from Lowood, Goodna and Mt Gravatt participated. Full list of winners below.

Junior Netball:	LSHS
Junior Soccer:	LSHS
Junior Touch Football:	KSHS
Senior Netball:	KSHS
Senior Soccer:	LSHS
Senior Touch Football:	TSHS
Somerset Sports Cup Champions:	LSHS

Sport and Recreation Projects

- CPR Group submitted the *Kilcoy Sport and Recreation Needs Analysis* to Council, the recommendation of which were adopted by Council. The Needs Analysis reviewed current and projected sport and recreation trends and applied them to the Kilcoy area for future planning.
- A *New Toogoolawah Community Gym Business Case* was submitted to Council and outlined the potential financial and community impact of a new community gym facility adjacent to the Toogoolawah Swimming Pool. The *Business Case* recommendations were adopted by Council in October 2019 and was the basis for a successful funding application for the project.
- Council, with the support of the Queensland Department of Transport and Main Roads, partnered with the University of Queensland Business School – Service Innovation Alliance to implement the *Brisbane Valley Rail Trail Visitor Research Project*. The project aims to provide Council with insights into the visitors using the trail and recommendations to improve the BVRT user experience. The project has been hampered by the COVID-19 pandemic. Results of the project will be presented to Council in early 2021.
- In May, Council was informed of a successful funding application to the Building Better Regions Fund – Community Investment Stream for the Toogoolawah Golf Course to host the *Queensland Athletics State Cross Country Championships in 2021*.

Youth Engagement

Youth engagement and leadership

The Youth Leadership Camp, coordinated and funded by Council, was held at the Sunshine Coast Recreation Centre, Currumbindi, in January 2020. Somerset Regional Council provided the opportunity free of charge – to student leaders from Kilcoy State High School (KSHS), Lowood State High School (LSHS) and Toogoolawah State High School (TSHS) – inclusive of transport, activities, catering and accommodation. For the first time, Somerset Regional Council partnered with Lockyer Valley Regional Council for this event; students from secondary schools in the Lockyer Valley region were also invited to attend in collaboration with Somerset students.

The Youth Leadership Camp provided positive development opportunities for Somerset school leaders and helped to forge positive relationships between students and Council officers and Councillors alike. Activities hosted by the camp enabled participants to set their own goals and challenges and encouraged students to work as a team and to identify leadership skills. The activities encompassed and focused on four key outcomes:

- Recognise qualities of a good leader
- Resolve conflicts
- Develop decision making strategies
- Demonstrate effective communication skills.

In addition to camp activities, Council officers and Councillors discussed challenges faced in the Somerset region and worked in school teams to establish a course of action to address one of these identified challenges. The student teams and Council officers were set to work on these action plans throughout 2020, however unfortunately COVID-19 raised new and confronting challenges to undertaking these plans. As an alternative, students and Council connected on a smaller scale with regards to school and community projects.



Queensland Youth Week 2020

Queensland Youth Week for 2020 was scheduled to take place in April, 2020, however due to COVID-19 the schedule of events was postponed. Events are hoped to be rescheduled to September and October 2020 and should include a variety of free activities for youth.

School Holiday Programs

Various activities were organised during 2019 and 2020 for children and youth in Somerset. This included the School Holiday Program booklet that Council created and distributed for each school holiday period. The booklet contained Council coordinated events, including library activities, along with events hosted by organisations other than Council. Note that no activities were held from March 2020 due to COVID-19 restrictions. Cancellations also included the annual Emerging Elders Camp that was scheduled for May 2020.

The *September-October School Holiday Program* was delivered in partnership with local organisations. A coaching clinic was facilitated at the Esk Tennis Club on Tuesday 24 September. 21 local children, aged 5-10, participated in a four-hour coaching clinic at the club.

One Tree Canoe Company conducted a group canoeing activity along the Brisbane River from Twin Bridges Reserve on Tuesday 24 September. The event saw 10 local youth, aged 12 to 16, participate in a four-hour paddle from Twin Bridges to the Lowood Bend.

The *December-January School Holiday Program* was delivered in partnership with Somerset Leisure at the four aquatic facilities throughout the region. In late December and early January Pool Movie Nights were conducted at the respective facilities. Each event saw the community access facilities for free and enjoy a free movie showing. In total, 515 attendances were recorded across the four events.

Free entry was also provided to the pools as part of Council's *Australia Day Pool Parties*. In addition to free entry, the pool parties offered additional free activities such as pool inflatables, water slides (Lowood, Toogoolawah and Kilcoy), a rock-climbing wall (Esk only), barbecues and other activities. A total of 500 patrons were recorded across the four facilities.



School Support Meetings

Council coordinates the School Support Meetings each term at KSHS, LSHS and TSHS. These meetings are an important starting point for advocacy specifically surrounding the youth sector. In conjunction with the meetings Council also coordinates Support Services Expos at high schools in Somerset as requested by the schools. Due to COVID-19, these Expos did not occur in the first half of 2020.

Education and employment

Council continues to support youth by offering School Based Traineeships and Apprenticeships and supporting school career expo events. Council also assists with connection between employment services and schools through the School Support Meetings.

Support for young people, parents and carers

Relationships between Somerset secondary schools and available support services were promoted through the continuation of School Support Meetings and Support Services Expos at each school. Notices that assist young people, parents and carers are also regularly sent to school support staff and to school newsletters to update families on available supports.

Participation in local and regional forums

Council staff attended meetings as required such as Kilcoy Cares Collaborative, West Moreton Mental Health Collaborative and Youth Mental Health and Wellbeing Strategic Group, as well as local and regional Interagencies, Local Level Alliances and the Youth Mental Health Forum.

Regional Arts Development Fund (RADF)

During the year there were a total of ten applications received with ten projects approved.

Applications were made under the categories of Young People, Vibrant Towns and Villages, Artist in Residence and Tourism. Projects included film making workshops for the regions young adults, generational ukulele classes, a mural along the regions rail trail, ironwork in a community garden, mark making for the regions preschools and kindergartens, relief painting and regional exhibitions.

In a first for the region, a series of film making workshops were held in the regions three high schools. Conducted by Noosa Film Academy the project facilitated workshops between high school students and experienced Oscar winning director Greg Huglin. Students learnt the basics of script writing, camera work and performance, and recorded three short films to be screened during Youth Week.

Somerset Libraries

COVID-19 presented a considerable challenge for Somerset libraries in 2020, however it became clear very early in the pandemic that our library service was adaptable and innovative and endeavoured to continue to serve its communities.

The experience of Somerset libraries over the March to July 2020 period inspired the development of a range of responsive services 'on the fly', many of which have now become part of the standard suite of library services.

Service changes to facilitate public access included extended loan limits and periods, swift pivoting to online delivery of reference services and public programs, significantly boosting digital loans by 32%, implementing direct communication channels with library users and communities, and implementing click and collect access to collections. Feedback from staff and the community demonstrates both the resilience of Somerset Libraries and the depth of need that the community has for its library service.

Library funding

Somerset Libraries were the successful recipients of two avenues of funding from the State Library of Queensland in 2019- 20. \$10 000 was received for the Curiosity Kit program. This will enable families with children aged five years and under to borrow backpacks with toys, robotics, technology and books and enable families to experience STEAM learning in their own time.

Funding was also received to establish the Travelling Craft Room. This project will purchase craft equipment such as papermaking, weaving and gel press printing kits to provide the opportunity for residents to try new materials, tools and techniques that relate to a variety of craft, textile and art activities.

2019/2020 Highlights

Somerset Libraries



libraries

70,283

items

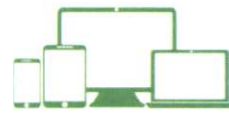
(library and not online)



38

digital services

(and not available)



76,075

visits

(excluding the 8 visits to residents)



11,721

enquiries

(excluding the 10 enquiries to residents)



103,154

loans

(of books and other items, excluding the 10 loans to residents)



7,820

members

(including the 10 members to residents, and 1000 young members)



31,167

catalogue searches



719

events and programs

(excluding the 10 events to residents)



9,421

program attendees

(including the 10 residents attending or visiting programs)



4,464

new

(including the 10 new residents)



32%

digital increase

(for the last 10 years)

COMMUNICATIONS AND MARKETING

Tourism and Promotions

Council employs four full-time visitor information service officers, one part-time visitor information services officer, one full-time events officer and one school-based trainee. About 50 volunteers support the team at accredited visitor information centres in Esk, Fernvale, Toogoolawah and Kilcoy, and a regional art gallery in Toogoolawah.

Council manages the quarterly Tourism Advisory Committee meetings, which include representatives from Council, the Kilcoy Chamber of Commerce and Community, Brisbane Marketing, Seqwater, Brisbane Valley Rail Trail and appointed tourism operators. During the 2019/2020 financial year, this advisory committee merged with the Economic Development Advisory Committee and became the Economic Development and Tourism Advisory Committee. The committee also includes representatives from the business sector.

Experience Somerset as a brand continues to be strengthened with an ongoing presence on Council's tourism website, experiencesomerset.com.au, social media channels, eviisor centre branding and more.

Covid had a significant impact on tourism operations in the Somerset region from March through to the end of financial year resulting in the closer of all visitor information centres for a period of time and tourism operators being forced to close due to the pandemic and state and federal government health directives.

Heritage

Council maintains an archive of heritage information and images in electronic form and physical storage. Elements are available to the public through the Council website and via printed excerpts at visitor information centres.

The Somerset visitor guide includes information on history and the Heritage Trail and a virtual historic drive route that highlights the churches, memorials and cemeteries of the region. Council continues to support the efforts of the Brisbane Valley Heritage Trails group.

Promotions and Advertising


Emphasis has been placed on advertising directly to the caravanning and camping markets across Brisbane and surrounding areas.

Council promoted the region at one tourism trade show during the financial year – the Queensland Outdoor Adventure and Motoring Expo in Toowoomba which was held at the start of August. The team engaged with more than 2000 people across the three days promoting the Somerset region.

Tourism Attractions Register

Council maintains a public online listing of tourist attractions through the business and community directory and Experience Somerset website. This free service encourages operators to register their businesses and update their listings.

In addition, the tourism team maintains a listing of tourism operators who actively participate with Council initiatives for regional marketing and promotion, as well as operators who are operating in line with objectives outlined in the Destination Management Plan.



Council's visitor information centres offer a free service to tourism operators who wish to display and distribute their brochures and promotional materials. Promotional material highlights tourism experiences through natural attractions, lakes, art galleries, heritage sites and trails.

Events

Events are increasingly important to the community and to local tourism. Council supports this function with a full-time events officer who oversees the planning, marketing and delivery of events. Council also assists community groups with grant applications to help fund events. Council publishes online event calendars and promotes events via media releases, social media and the Australia Data Tourism Warehouse and Visit Brisbane website.

Events produced and supported by the Events Officer include the 2019 Mayoral Gala Charity Ball, Seniors Week Expo and Luncheon, annual Garden and Christmas Lights competitions and the Australia Day Citizenship and Awards Ceremony.

The unexpected outcomes of a global pandemic saw many events postponed and cancelled. For Council this resulted in the cancellation of our Mad Hatter's Tea Party event, Easter school holiday program, Art Beat Festival, the 18th annual Brisbane Valley Rail Trail Fun Run, Walk or Ride and Tourism Operator's networking evening. In addition to Council event cancellations, community groups were also forced to cancel events including annual local shows. In response to this, Council supported a local show society initiative and project managed the first ever "Grrrr...in and Bear It" competition. This project, while simple in execution provided an avenue for cross regional collaboration of the regions show societies and an opportunity to continue engaging with the community.

The uncertainty of an ever-changing environment and the navigation of COVID Safe Event requirements will continue to be an ongoing challenge. Council is well positioned to provide guidance to internal departments and the wider community for the management of COVID Safe events.

Visitor Information Centres

	Number of visitors 1/7/2019 – 30/6/2020	Number of active volunteers
Esk Visitor Information Centre	4,776	11
Fernvale Visitor Information Centre	4,259	21
Kilcoy Visitor Information Centre	5,093	10
Toogoolawah Visitor Information Centre and Somerset Regional Art Gallery – The Condensery	3,117	11

The Visitor Information Centres were closed to the public due to the global COVID-19 pandemic from 20 March 2020 to 18 May 2020.

The Toogoolawah Visitor Information Centre and Somerset Regional Art Gallery – The Condensery was closed to the public due to the global COVID-19 pandemic from 20 March 2020 to 18 May 2020. The centre did not operate on weekends from March through to 30 June 2020.

Media and Communications

The communications and marketing manager is responsible for producing and distributing media releases. On average about 20 media releases are distributed each month, providing information on Council programs, plans and projects. The communications and marketing manager also maintains Council's social media channels on Facebook, Twitter and Instagram, and works with IT to ensure all Council-owned websites remain up to date.

Council facilitates the content, production and distribution of flyers and brochures about various services and activities across the region. Staff manage various Council promotional stands at events throughout the year. The communications and marketing manager plays a proactive role in gaining positive coverage, and also responds to requests for interviews and general media enquiries.

PLANNING AND DEVELOPMENT

The Planning and Development Department ensures a range of regulatory, compliance and development assessment obligations are undertaken in accordance with Federal and State legislation and Council's Local Laws. The Department is also responsible for economic development and strategic land use planning for the region.

Development Assessment

The Development Assessment section is responsible for ensuring that Council achieves the purposes of the *Planning Act 2016*. This occurs through providing advice to the community on planning and development matters as well as co-ordinating and assessing development applications in accordance with the Somerset Region's Planning Scheme.

A breakdown of Development Applications received during the financial year are listed below.

FINANCIAL YEAR 2019-2020	APPLICATIONS	TOTAL
Development Applications	Combined	3
	Material Change of Use	45
	Operational Work	12
	Reconfiguring a Lot	19
	Building Work assessable against the Planning Scheme	73
	TOTAL	152
Planning Certificates		18
Survey Plan Endorsements		20
Exemption Certificates		16

Strategic Planning

Somerset Region Planning Scheme

Public consultation on Version four of the Somerset Region Planning Scheme was undertaken between July and September 2019 and is expected to be adopted in late 2020 following approval to adopt from the Minister for Infrastructure and Planning. The amendment represents a combination of changes which have resulted from policy adjustments by Council and the State, general improvements to the scheme, as well as correcting errors identified following implementation of the original scheme in 2016.

Building and Plumbing Services

Council's building and plumbing section undertakes a range of assessment, inspection and compliance activities in accordance with the relevant Acts, Codes, Standards and Local Laws.

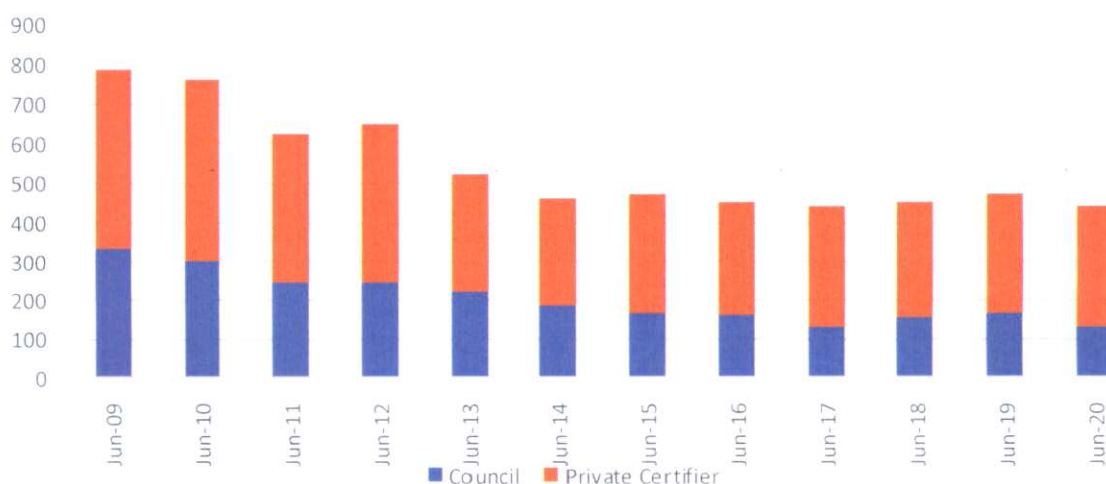
This financial year has seen the introduction of new State building legislation in relation to the use of external cladding. Queensland Development Code MP 2.5, which commenced on 18 October 2019, now prohibits the use of certain aluminium composite panels (ACP) and expanded polystyrene (EP) on buildings. This is in response to the flammable cladding issues previously reported on last financial year.

The variety of building and plumbing regulatory inspections that are performed include pool safety services, residential services, amenity and aesthetic services and notifiable plumbing and drainage services.

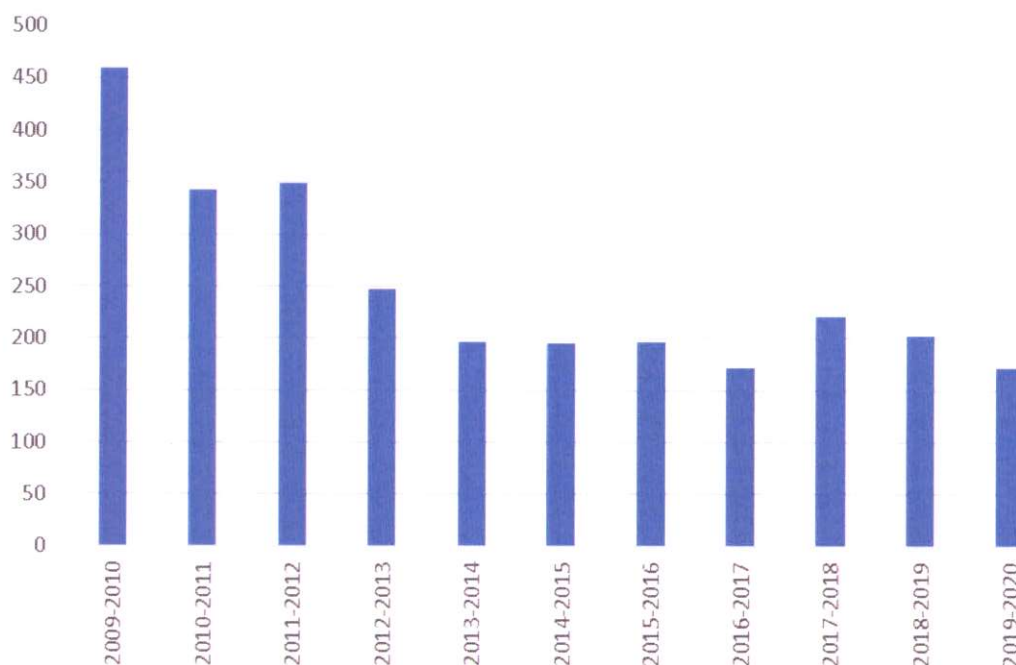
Other regulatory matters that involve building and plumbing compliance include unapproved works, unlawful use of buildings and overdue servicing of on-site sewerage facilities. This has resulted in the issuing of Show Cause Notices, Enforcement Notices and in some cases, Penalty Infringement Notices.

In addition to monitoring the servicing of on-site sewerage facilities within the Region, Council, through partnership with Seqwater, has implemented programs aimed at improving water quality. This has seen some properties within the mid-Brisbane River catchment and Linville township catchment areas offered subsidies to upgrade existing on-site sewerage systems identified as high risk to water quality.

The total number of building applications approved for the 2019-20 financial year is 442. Overall this is a small decrease on the previous financial year's total of 473. Council's share of the total approved building applications is down on the previous financial year, at 30%.



The total number of plumbing applications approved for the 2019-20 financial year is 172. Overall this is a decrease on the previous financial year's total of 203.



Environmental Services

Council's environmental services include the functions of Environmental Health; the Regulatory Services (being Animal Management and Local Laws) and Pest Management Services.

Environmental Health

- Administered a total of 163 food business licenses consisting of 115 fixed, 32 mobile and 16 temporary food business licenses.
- Conducted more than 80 licensed food business inspections to check compliance with the *Food Act 2006* and the Australia New Zealand Food Standards Code and compliance with the Chief Health Officer directions in relation to Covid-19.
- Assisted food businesses, community groups, schools and the general public through the provision of a free online interactive food safety training package. The I'M ALERT food safety training package can be accessed via www.somerset.imalert.com.au or follow the links on Council's website. More than 244 users accessed the site through the Somerset Regional Council log-in during the year.
- Conducted a mosquito survey program in conjunction with Queensland Health in various towns and villages in the region during the months of February 2020 to March 2020. It should be noted that 60% of the program was completed when the program was postponed due to Covid-19 restrictions. The survey program was conducted in line with the Queensland Dengue Management Plan 2015-2020.
- Provided community education regarding mosquito management methods through officer advice, local and social media and Council's website.
- Delivered a water sampling program for Council operated swimming pools where monthly samples were collected during swimming season and monitored for compliance with the *Queensland Health Swimming and Spa Pool Water Quality and Operational Guidelines, 2004*.
- Delivered a school based immunisation program through a service agreement with the state government at the Toogoolawah and Lowood High Schools. The program administered vaccinations to year 7 students to protect against the following diseases;

Human Papillomavirus, Diphtheria, Tetanus, Pertussis (whooping cough) and Meningococcal and to year 10 students to protect against Meningococcal.

- Responded to more than 190 customer service requests relating to issues of compliance with the *Environmental Protection Act 1994*, the *Food Act 2006*, the *Waste Reduction and Recycling Act 2011*, the *Public Health Act 2005*, the *Public Health (Infection Control for Personal Appearance Services) Act 2003* and Council's local laws.
- Completed the first half of bi-annual inspection program on 12 poultry farms to check compliance with development approval conditions. The second half of the inspection program was postponed due to Covid-19 restrictions.
- Completed more than 50 assessments of applications for approval under Council's local laws and subordinate local laws for prescribed activities such as caravan parks and camping grounds, community markets, commercial use of roads and local government controlled areas, street stalls, and temporary entertainment events.

Regulatory Services (including Animal Management and Local Laws)

- Encouraged responsible pet ownership through media and officer contact, the provision of dog friendly parks, the provision of rebates for cat de-sexing and euthanasia and discounted registration for de-sexed dogs.
- Conducted a compliance program relating to dog registrations under the *Animal Management (Cats and Dogs) Act 2008*, where a total of 5203 dogs were registered which was an increase of over 1390 on the previous financial year.
- Operated a small and large animal pound in accordance with Council's local laws, where a total of 280 animals were impounded; including 139 dogs, 107 cats, 34 stock.
- Postponed the annual inspection program of 55 kennels to monitor compliance with development approval conditions due to Covid-19 restrictions.
- Responded to a total of 1414 customer service requests relating to compliance with Council's local laws, the *Animal Management (Cats and Dogs)* and other relevant legislation.

Pest Management

- Promoted public education and awareness of residents' biosecurity obligations in relation to pest plants and animals under the *Biosecurity Act 2014*, through local media, social media, Council's website and attendance at local shows and field days.
- Operated a bait meat subsidy program for landholders who participated in Council's 1080 baiting program, where more than \$1,700 in subsidy payments were made.
- Operated a chemical subsidy program to assist landholders in meeting their biosecurity obligation under the *Biosecurity Act 2014*, where more than \$5,870 in subsidy payments were made.
- Administered a wild dog and feral pig bounty program for wild dogs and feral pigs destroyed within the region; where a total of 191 wild dog and 117 feral pig bounty payments were made during the year.
- Provided an equipment hire program to assist landholders in meeting their general biosecurity obligation under the *Biosecurity Act 2014*.
- Implemented actions listed in the Somerset Regional Council Biosecurity Plan 2013-2019.
- Developed and obtained Council endorsement for the *Biosecurity Plan – Invasive Plants and Animals 2020-2025*, as required by section 53 of the *Biosecurity Act 2014*.
- Responded to more than 256 customer service requests relating to issues of compliance with the *Biosecurity Act 2014*.
- Completed a compliance program to ensure that landholders comply with their general biosecurity obligation under the *Biosecurity Act 2014*.

- Operated a 1080 baiting program in conjunction with the Department of Agriculture and Fisheries. More than 2700 wild dog and feral pig baits were distributed to participating landholders in the region.
- Conducted a pest animal trapping program on Council controlled land and on private land to assist landholders in controlling pest animals such as wild dogs, feral pigs, foxes and feral cats. During the period more than 70 feral animal were trapped as part of the program.
- Delivered a pest plant control program on Council controlled areas and roads and on state controlled roads under contract; where more than 135,000 liters of herbicide was applied.
- Secured \$275,000 in Commonwealth Bushfire Disaster Recovery Arrangements Category D Funding for lantana control on roads and reserves.
- Secured over \$660,000 in Commonwealth drought assistance funding under the Communities Combating Pest and Weed Impacts During Drought Program for the control to assist landholders in controlling rabbits and parthenium infestations, provide a 100% chemical subsidy program for lantana and fund the treatment of lantana on roads and reserves.

Natural Resource Management

Somerset Regional Council has an active role in the maintenance and enhancement of the region's natural resources through a range of partnership, advocacy, educational, stewardship and promotional activities.

Regional Collaboration

- Regular participation in the Council of Mayors (SEQ) Resilient Rivers project, and engagement with associated stakeholders.
- Ongoing partnership and collaborative projects with Healthy Land and Water, local Landcare, local Bushcare, and allied groups / organisations.

Education and representation

- Participation in regional NRM related forum/s, and policy/strategy development, such as the Local Government Officer regional offset and regional Koala forums.

External funding partnerships

- Two ongoing projects supported through the Council of Mayors (SEQ) Resilient Rivers Funding, being the Black Snake Creek rehabilitation Project, and the Hills and Savages Crossings investigation project.
- Partnership program with Seqwater to deliver the On-site Wastewater Risk Mitigation Program.

Community Free Trees

- Facilitation of Council's free tree programs, including the annual free tree days (Fernvale, Esk and Kilcoy), provision of additional free trees to Land for Wildlife participants, and additional koala habitat trees for Somerset residents.
- Delivery of Capital Works Offset Policy, requiring proportional offsetting of internal Council capital works program impacts on vegetation.

Local Delivery, Regional Programs

- SEQ Land for Wildlife Program.
- SEQ Fire and Biodiversity Consortium.
- Council of Mayors (SEQ) – Resilient Rivers.
- Seqwater – Mid Brisbane partnership committee.
- Seqwater – On-site Wastewater Risk Mitigation Program.

OPERATIONS

The Operations Department consists of the following sections:

- Works
- Construction and Maintenance
- Development Design
- Workshop and Fleet
- Parks and Gardens
- Waste Services
- Recycling Programs
- Cemeteries
- Disaster Management
- SES
- Customer Service System.

The following is a summary of the department's activities in 2019-2020.

Works

Council has been highly successful and received funds under the Bridge Renewal Program (Round 3), Cycle Network Local Government grants, Drought Assistance funding, Roads to Recovery (R2R), Transport Infrastructure Development Scheme (TIDS) and the Heavy Vehicle Safety and Productivity Program (HVSPP). Combining these grants with Council capital works has once again meant that Council has embarked on a very challenging works program. Council's works team strives to deliver high-quality infrastructure across the region in a cost-effective manner.

Council's workforce has delivered capital works associated with roads that are outlined further in this report. Council remains committed to maintaining its road assets to ensure a safe road network for all motorists. In addition to the capital and maintenance programs, Council has also delivered a signage upgrade project on Gatton Esk Road and batter improvement works south of Fernvale on Brisbane Valley Highway on behalf of the Department of Transport and Main Roads (TMR).

A significant TMR project being carried out by Council is the rehabilitation of D'Aguilar Highway through Mary Street and William Street through Kilcoy. This project is one of the biggest undertaken in recent history by the Somerset team and has offered an enhanced learning experience for the project team. Completion of the southern section is a compliment to the hard work from the Somerset crews.



D'Aguilar Highway, Kilcoy Rehabilitation – Mary/Hope Street intersection

Construction and Maintenance

Bridges

Under the Commonwealth Government's Bridge Renewal Program (Round 3) Council completed or commenced works on five bridges including:

- Pakleppas Bridge, Moore
- Bertram Shallcross Bridge, Gregors Creek
- Buaraba Creek Road Bridge No 1 and 2, Buaraba Creek
- Yellow Gully Bridge, Atkinsons Dam



Bertram Shallcross Bridge - completed

Drainage Works

Drainage improvement work was completed in Park and Walter Streets, Lowood, underground drainage in George Street, Toogoolawah and new drainage structures in Kilcoy and Toogoolawah.

Roads

Council delivered its capital and maintenance road program across the region in a variety of locations and on roads of both local and regional significance.

Council improved drainage and rehabilitated several streets including Highland Street, Esk from Edward Street to Mack Street and Park Street, Lowood from Michel Street to Walter Street.

Under the Commonwealth's drought assistance funds, Council reconstructed and widened 1.95km section of Esk Crows Nest Road, Biarra.

The widening and strengthening of Gregors Creek Road for approximately 3km was completed under funding supplied by the Commonwealth.

Other roads and streets that received upgrades throughout the year include:

- Coominya – Cloake Street
- Kilcoy – Hope Street
- Lowood– Lowood Hills Road and Walter Street
- Toogoolawah – Linkes Lane and Old Mount Beppo Road
- Fernvale – Erskine Street
- Linville – Mount Stanley Road

Council also undertakes work on roads on behalf of and funded by the Department of Transport and Main Roads (TMR), Council also delivered a signage upgrade project on the whole length of Gatton Esk Road and guard rail upgrade on Brisbane Valley Highway.

Cycleways and Paths

The State Government's Cycle Network Local Government grants allowed Council to deliver connecting shared paths in Prospect Street, Lowood and Clive Street, Fernvale.

Council also completed works on a footpath connection from Glamorgan Vale State School to the village, renewed Lowood CBD faux brick paths, renewed footpaths along Ipswich Street, Esk, renewed footpaths along Peace Street, Lowood to the state school, and bus shelters in Kilcoy, Coominya, and Esk.



Shared path – Prospect Street, Lowood and Clive Street, Fernvale



Footpath on Glamorgan Vale Road, Glamorgan Vale and Esk bus shelters on Ipswich Street, Esk

Footpath Works

Footpath funding under the Cycle Network Local Government grants is a welcome addition and has allowed the following footpath and bus shelters to be completed:

- Brisbane Valley Highway to Old Mt Beppo Road, Toogoolawah
- Peace Street, Lowood
- Clive Street, Fernvale
- Prospect Street, Lowood
- Brisbane Valley Rail Trail, Lowood
- Bus shelter upgrades Coominya and Kilcoy.
- Plus bicycle racks in various locations

Other works included:

- Ipswich Street, Esk
- Glamorgan Vale Road extension
- William Street, Kilcoy
- Faux Brick Stencil, Lowood

Development Design

This section prepares the surveys, detailed designs and on-site support for the capital works program and construction crews on the majority of Council's roads, drainage and cycleway projects.

Maintaining Council's asset, such as, roads, footpaths, kerb and channel, stormwater, parks and gardens, cemeteries and bridges is a critical function, to this end Council reviews and improves its asset registers and databases about the assets.

A project to inspect the Lowood stormwater network by camera was completed with Kilcoy and Esk being previously completed.

This section also reviews and approves works to be undertaken by private developers through the issuing of Operational Works Permits.

Some of the projects approved included: Pine Tree Hill Stage 1B, and Esk Fire Station.



Subdivision at Pine Tree Hill Stage 1B - Kilcoy

Workshop and Fleet

Council has two workshops one at the Esk Works Depot and one at the Kilcoy Works Depot.

Council has 289 items of plant and 205 floating plant items including earthmoving plant, SES plant, light vehicles, trucks, tractors, mowers, slashers and many other miscellaneous items. All plant items are serviced on a routine service schedule with other repair and maintenance done as required. The workshop carries out on average 120 services, routine inspections and repairs each month.

Workshop also electrical test and tag around 500 items every three months for Council's portable equipment for the outdoor crews and SES.

Parks and Gardens

Upgrades to park amenities were completed at Railway Park, Coominya, Yowie Park, Kilcoy, McConnel Park and Lions Park, Toogoolawah.

In Yowie Park, Kilcoy, a new picnic shelter with new electric barbecue and picnic units were installed, replacing an old shelter. Also, improvements to Memorial Park, Fernvale included new footpaths, large shelter and additional line marking.

Council gave away free trees at Fernvale, Lowood and Kilcoy as part of the program to encourage the community to plant trees and enhance our environment.

Waste Services

Waste Reduction and Recycling Plan 2018-2022

Council's Waste Reduction and Recycling Plan 2018-2022 is committed to finding ways to minimise the amount of waste going to landfill and encouraging increased usage of recycling initiatives available within the region. It provides Council and the community the direction to meet several waste reduction goals. The result, will see a reduction in the reliance on landfill, promote more efficient recycling and ultimately reduce the carbon footprint of Somerset Residents over the coming years.

Council continues to provide free recycling at its four refuse and recycling centres to promote recycling within Somerset Region.

A copy of the Waste Reduction and Recycling Plan 2018-2022 can be found at www.somerset.qld.gov.au/our-services/waste-facilities.

Waste Levy

The Esk weighbridge commenced operation on 1 July 2019, coinciding with the implementation of the Queensland Government's waste disposal levy. Whilst it was a very challenging year, the staff at the landfill responded extremely well to the change.

The weighbridge and associated software assisted in the capture of approximately 8,800 tonnes of waste that made its way into the Esk landfill. Over 11,500 vehicles went across the weighbridge in that time. The capturing of this data in electronic form will make analysing of waste data simpler and aid council in making more informed decisions into the future.

Reporting obligations were stricter during the year with the Department of Environment and Science requesting monthly reports to allow for waste levy invoicing by the 14th of each month. These deadlines were met each time and Council did not incur any late penalties as a result.

Recycling Programs

Containers for Change

Council continued its partnership with Anuha, a community/charity organisation based in Gatton to operate a container deposit scheme (CDS) on a weekly basis in the towns of Esk, Fernvale and Kilcoy.

Transfer Stations – Recycling Initiatives

Council continues to accept cardboard, paper, metal, ewaste, car batteries, glass bottles, and aluminium cans free of charge. These items are collected and taken off site and recycled at various material recovery facilities. Green waste is also accepted free of charge. The mulch is stockpiled on site at each transfer station and is either sold to the public or reused on Council projects.

Drum Muster

Council continued to work in partnership with Agsafe to provide the DrumMuster program and the ChemClear program. The DrumMuster program provides for eligible drums to be collected from residents at Council's waste facilities free of charge and the ChemClear program provides a site for residents to meet with Agsafe to pick up unwanted chemicals.

Waste Voucher

Council continued its waste voucher program for residents who receive a wheelie bin service. Each property receives two vouchers annually. Each voucher allows residents to dispose of waste up to 0.5m³ at no charge, making a total of 1m³ of waste per year.

Waste Working Group and Alliance

Council continued to participate in the SEQ West Waste Alliance for waste management, recycling and resource recovery by joining with the Councils of Ipswich, Logan, Lockyer Valley, and Redland Bay to explore waste management options.

Cemeteries

Council has eight operational cemeteries throughout the Region, Fernvale, Wivenhoe Pocket, Lowood, Esk, Caboonbah, Toogoolawah, Moore and Kilcoy. All of these cemeteries have columbarium walls for placement of ashes except for Wivenhoe Pocket and Caboonbah. Kilcoy Cemetery also has a memorial garden for placement of ashes which is maintained on a regular basis. All cemeteries are mowed and cleaned regularly.

New rows in the lawn/beam sections of Esk and Kilcoy cemeteries have been constructed and Council has replaced two sides of the boundary fence around the Toogoolawah cemetery.

It also has a closed cemetery at Bryden (Fairview). This cemetery is mowed during Council's normal mowing rounds.



Memorial Garden, Kilcoy Cemetery

Disaster Management

2019/2020 was a busy year within disaster management with drought, bushfires, flooding and the COVID-19 pandemic impacting the Somerset region.

Local Disaster Management Group (LDMG)

The LDMG met four times throughout the year and Somerset Regional Council representatives attended each of the Ipswich District Disaster Management Group (DDMG) meetings held.

The Somerset LDMG conducted a Foot and Mouth Biosecurity scenario in July 2019 to exercise the response capabilities of the members of the Somerset LDMG, Ipswich District Coordination Centre and other supporting agencies/Government Departments. Council staff participated in a number of desktop exercises with the DDMG around COVID-19 response.

Events

Bushfire severely impacted the Somerset region in November and December 2019. A number of houses were destroyed and many kilometres of fencing damaged. A Local Recovery Plan was produced in January 2020 to assist with the recovery of the region as a result of these fires.



A heavy rainfall event in February 2020 resulted in flood damage in excess of \$2.3m. Council successfully applied for that to be funded under Disaster Recovery Funding Arrangements (DRFA). DRFA is a State and Federally funded program administered by the Queensland Reconstruction Authority (QRA).

The unprecedented COVID-19 pandemic event tested Council's business continuity plans and resulted in a decision to disperse the workforce around the region. This was done to ensure that core functions of Council could operate if an outbreak was to occur at one of our administration centres. Council was able to adapt quickly and within days had distributed key staff to four administrative centres, including a number of staff working from home.



Temporary closure of Lowood Office to the public and some workforce set up in Somerset Civic Centre during COVID-19 pandemic

The LDMG met with the DDMG to discuss COVID-19 response at the District and Local Level. This event was an unusual one as the response was led from the State down, whereas with other events it is generally locally led. A local recovery plan for COVID-19 was adopted by Council on 10 June 2020.

Training

Training continued to be delivered during 2019/2020 in a mix of face-to-face and online delivery, namely;

- Local Disaster Coordination Centre (LDCC) Training (Modules 1 and 2) - 12 November 2019
- Evacuation Centre training (Modules 1 and 2) facilitated by Qld Fire and Emergency Services and Red Cross - held on the 10 October 2019 –
- Further training was conducted on an as needs basis in line with the Qld Disaster Management Training Framework (QDMTF).

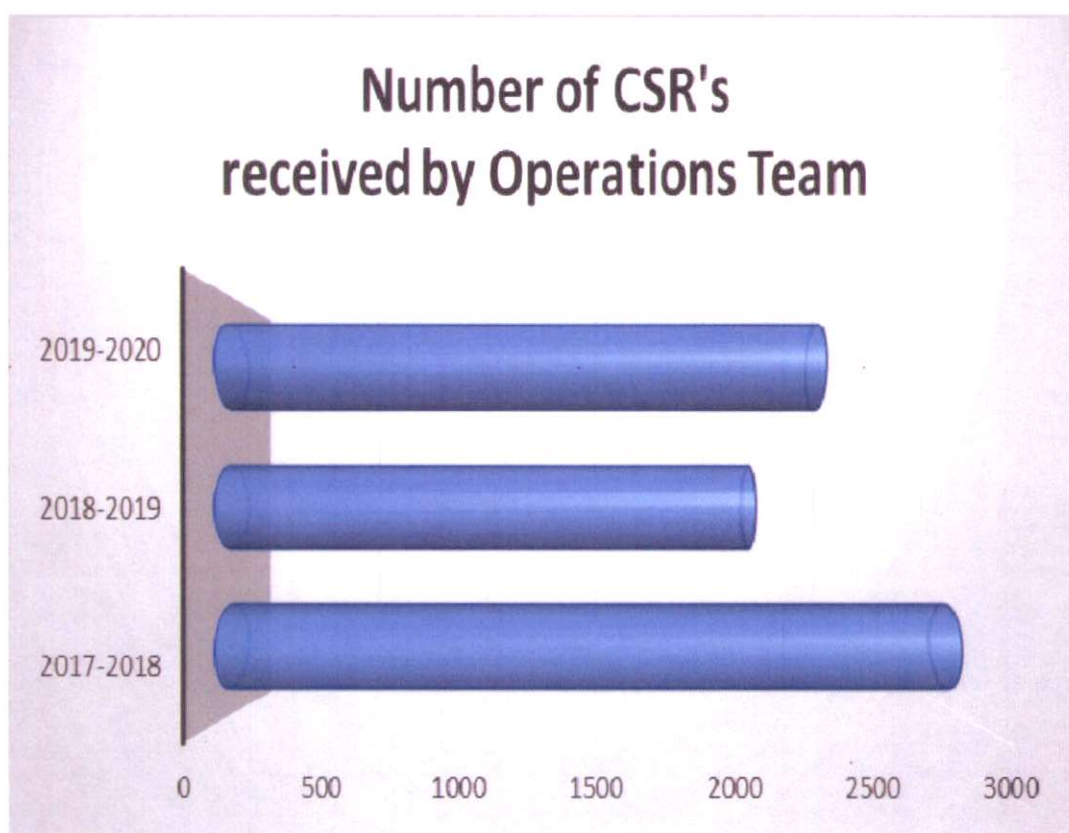
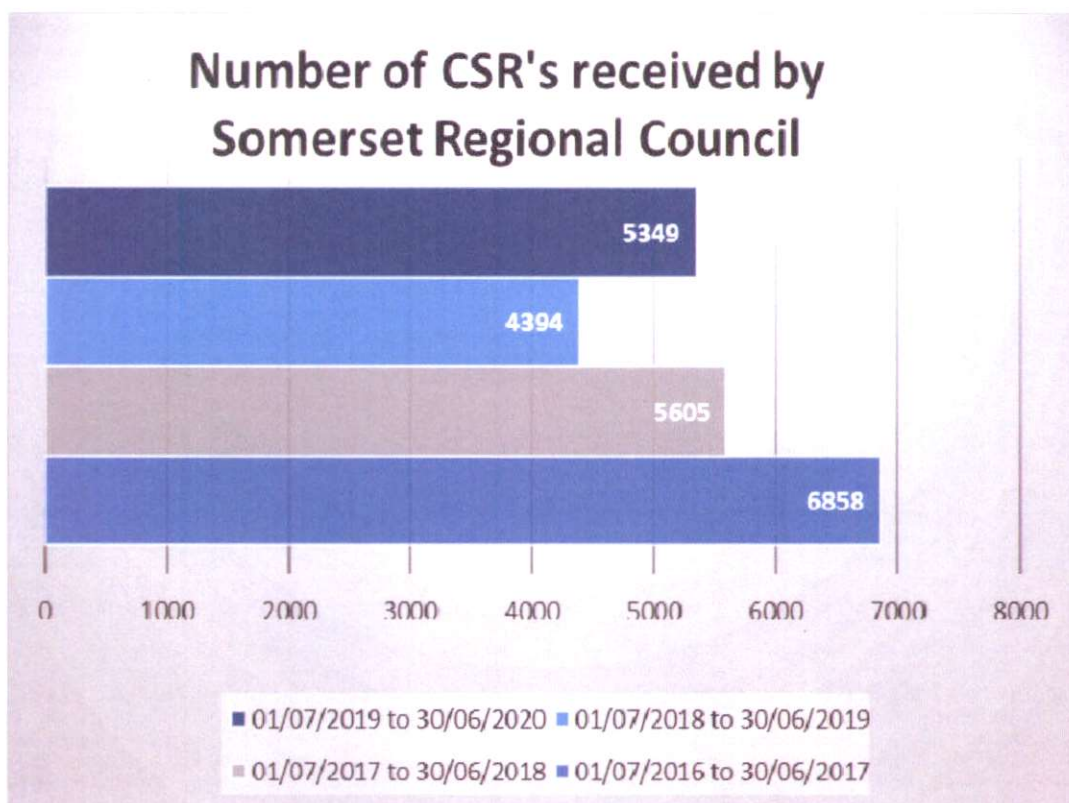
State Emergency Service

Somerset SES members responded to 77 activations (24 SES tasks and 53 agency support requests) within Somerset and neighbouring Council regions, assisting residents and supporting various Police and Fire Service operations in the QFES South East, South West and Brisbane regions.

SES members logged 5,081 hours in routine functions (training, administration, etc.) in addition to the 2,657 hours performing the operations below as recorded in the SES Task and Management System (TAMS):

- Storm damage – Braemore, Esk, Fernvale, Lowood, Mount Beppo, Patrick Estate, Toogoolawah and Wanora
- Traffic management – Coolangatta, Esk, Kilcoy, Patrick Estate and Split Yard Creek.
- Land search (missing person and evidence) – Chuwar, Esk, Fairney View, Kilcoy, Laidley, Lowood, Prenzlau, Riverview, Sandgate, Sandy Creek
- Sandbagging – Fernvale, Kilcoy, Toogoolawah and Winya.
- Flood boat rescue – Lake Somerset and Lake Wivenhoe.
- Bushfire support – Beenleigh, Boonah, Canungra, Esk, Fernvale, Ipswich, Kilcoy and Lowood.

Customer Service System



HUMAN RESOURCES AND CUSTOMER SERVICE

(including reporting requirements outlined in the *Public Sector Ethics Act 1994*)

Council's Human Resource and Customer Service Department is responsible for ensuring employees are trained and work in accordance with relevant legislation and work place health and safety requirements. The department also provides the community's first point of contact with the Council at our Administration and Customer Service Centres.

Our Workforce

At 30 June 2020, Council had 191 staff employed in a variety of tenures (status) to meet the operational need of the organisation.

Status	Number of employees as at 30 June 2019	Number of employees as at 30 June 2020
Full-Time	162	156
Part-Time	14	19
Temporary	2	2
Casual	10	10
Supported Wage	1	0
Apprentice	3	3
School-Based Trainee	7	1
TOTAL	199	191

Workforce Demographics

Gender:

	Female	Male
Indoor	62	44
Outdoor	2	83
	64	127

Age Demographic:

	Female	Male
Traditionalists (-1945)	0	0
Baby Boomer (1946-1964)	13	40
Generation X (1965-1980)	24	57
Millennials (1981-1995)	20	23
Generation Z (1995-)	7	7
	64	127

Length of Service:

Less than 10	118
10+	42
20+	22
30+	7
40+	2

Where our Workforce Lives:

Postcode	Number
4306	15
4311	24
4312	49
4313	27
4314	6
4514	5
4515	23
Other	42

COVID-19 Impacts

Council services were interrupted for approximately 7 1/2 weeks between March and May 2020 with the closure of public access facilities due to the COVID-19 pandemic and subsequent enforced restrictions.

During this period, the workforce remained stable and adapted to ensure the delivery of essential Council services continued through the implementation of innovative practices where possible.

Employee Service Recognition

Council recognises staff with service of 10 years > with presentation of a certificate of service and appropriate gift at Ordinary Meetings at 5-year intervals.



Mayor Graeme Lehmann congratulating Rob Bourchier - Overseer
on recognition of 20 years of service – July 2019.

Recruitment

Various full-time, part-time and casual positions were recruited during 2019/2020 including three (3) executive level positions, > 30 permanent positions, two (2) apprenticeships and one (1) traineeship.

Apprenticeships, Traineeships, Cadetships and Study Assistance

Council continued its involvement in the placement of apprentices and school-based trainees.

Areas where new trainees and apprentices were appointed in 2019/2020 were:

- one (1) apprenticeship in the mechanical section of the Kilcoy workshop
- one (1) apprenticeship in the mechanical section of the Esk workshop

These new placements were in addition to the following existing placements:

- one (1) apprenticeship in the boiler making / fabrication section of the Esk workshop
- one (1) school-based traineeship in the tourism sector of the communications and marketing section

Volunteers

Volunteers are integral to various Council activities such as visitor information centres, library services and community connection points. Council has approximately sixty (60) active volunteers across these services within the Somerset region.

Council provides the volunteers with inductions training, personal development, familiarisation tours, recognition events i.e. national volunteers day, etc.



International Volunteers Day and Christmas Famil Celebration - December 2019

Performance Appraisals

Performance appraisals for staff continued to be performed 2019/2020 by relevant supervising personnel. From this process, training needs are identified with appropriate education and training courses sourced, promoted and delivered as required.

Staff Inductions

All new / returning employees were provided with inductions on the commencement of employment with formal induction programs delivered throughout 2019/2020. The program covers mandatory information including review of relevant human resource and workplace health and safety legislation, Code of Conduct, Council procedures, policies and legislative requirements in relevant areas.

Other topics covered at inductions included:

- information technology
- corporate administration
- records / information management
- quality assurance
- communications/social media protocols
- procedure inductions on specific items of small and large plant has continued with records of the information transferred to a central skills database.

The formal induction process has continued to be improved and streamlined throughout 2019/2020 to ensure a smooth transition and seamless integration into the organisation.

As part of inducting new staff into the Council, long-term staff were also included to provide a refresher induction and further support Council's commitment to continuous learning and skills development opportunities. This process has proven successful with long-term staff adding value to the learnings of new staff during the induction.

The development and integration of an ELMS (Electronic Learning Management System) has further enhanced the induction process with >40 online induction programs available to staff. This has provided access to an online induction process remotely to reinforce learnings of new and existing staff.

Training

Council continued to offer a variety of training/professional development opportunities.

Council's Study Assistance Policy continued to be promoted and offered to employees undertaking nationally recognised Certificate, Diploma and University level courses relevant to their positions within the organisation.

Three applications from staff for varying levels of study assistance were approved during the 2019/2020 financial year as per provisions of the Study Assistance Policy.

Areas where training and professional development opportunities were delivered for employees to gain nationally recognised qualifications included:

- one (1) employee attained a Diploma of Local Government Administration through the LGAQ
- two (2) employees were supported to gain / maintain Certificate IV Training and Assessment

- group of seventeen (17) employees continued their progression through to completion of the following qualifications with TAFE Queensland
 - o Certificate III Civil Construction – Plant Operations
 - o Certificate III Civil Construction – Roads
 - o Certificate III Civil Construction – Pipe Laying

Other areas where training and professional development was delivered to support the continued development of staff in addition to various conferences and seminars included:

- Code of Conduct
- Authorised Person Training
- Risk Assessment and Management
- Critical Risk Management
- Serious Incident Investigations
- Incident Management Training
- Visual Inspection Park Facilities
- Childsafe Training
- Pool Safety Guidelines
- Commission to Maintain Backflow Prevention Devices
- Domestic Waste Water Design
- Sprayed Seal Design and Selection
- Safer Roads Training Workshop
- Working in Proximity to Traffic - Part 1 & Part 2
- Traffic Management Implementation
- Work Safely at Heights
- Vehicle Loading Cranes
- Operate and Maintain Chainsaws
- Legislation Review - Animal Management (Cats & Dogs) Act 2008
- Working Safely with Dogs
- Safe Dog Handling Workshop
- Regulated Dogs
- Small Animal First Aid
- ACDC Chemical Application Accreditation
- Bushfire Verification Training
- Fall Trees Manually (basic)
- 1080 Accreditation
- Fire Ant Training
- Fire Resistance
- Native Title and Cultural Heritage
- Provide First Aid / Perform CPR
- Cleaning Workplaces for COVID-19
- Procurement Fundamentals
- Library Leadership

Staff Wellbeing Initiatives

The staff wellbeing program continued to promote a work environment that aimed to foster a workplace culture where health and wellbeing are highly valued.

The objectives of the program were to:

- Raise awareness regarding issues that impact on health and wellbeing in a positive manner, including the health benefits of mental wellbeing, physical activity and healthy eating to improve or maintain the quality of the performance of employees' duties.
- Actively promote and encourage:
 - o the utilisation of work related counselling services through Council's Employee Assistance Program;
 - o active participation in a broad range of workplace health and wellbeing initiatives in various locations.
- Equip staff with the knowledge, resources and tools to enable them to make informed choices and take personal responsibility with regards to their own health and wellbeing.

Workplace Health and Safety

Safety Management System

Council continued addressing workplace health and safety issues using the Local Government WorkCare Safe Plan model as the basis of Council's safety management system through a two-yearly Action Plan.

The Action Plan was disseminated as defined actions to each Directorate as Quarterly Action Plans for completion. These undertakings as rectification action plans are mapped within the Quarterly Action Plan register and within service request systems.

Council is moving to map the Safety Management System to the new 45001 OHS standard to address currency compliance and suitably effective systems. A third party system audit was undertaken, and reported outcomes will highlight priorities

Council is continually reviewing documentation and refining procedures to meet the requirements identified in introduced legislation. In some areas, reduction of quantity of documents has occurred to streamline processes and systems introduced to improve application and satisfy legislative and best practice requirements.

To ensure intended use and understanding of documents and systems, staff training accompanies system introduction. A record of that training and induction is taken for due diligence and to schedule refresher training.

Workplace Health and Safety Induction Process

The workplace health and safety induction process has been reviewed with specific responsibilities and the method of induction improved to ensure new staff have immediate needs met including minimum safety and emergency protocols.

Stakeholder sign off is embedded in systems to support broad consultation. New systems and process consultation is incorporated in the WHS procedure F542 review system. New plant assessments including assets, are diligently undertaken by workshop and procurement and all key stakeholders are invited to consult.

In addition, field staff Tool Box Talks are held quarterly, with agendas and minutes formulated as well as attendance sheets recorded. All teams undertake a recorded workers consultation F546 record which is tracked through the quarterly action plan KPI sitting with all Directors.

Review of procurement and tender processes are continuously improving with a greater opportunity for key stakeholder review.

Fortnightly newsletters distributed to all staff include topics to address specific workplace WHS issues.

Customer Service

Council's administration and customer service centres are located in Esk, Kilcoy and Lowood. These centres provide a full range of transactions of all Council services during standard business hours, Monday to Friday.

Council's after-hours service is provided by Peak24/7 Out of Hours Call Centre through Peak Services. In 2019/20 3,920 transactions were received after hours. This is in comparison to 4,083 in 2018/2019.

Council has customer service standards that prioritise after-hours requests that require immediate response. Non-urgent matters are recorded and scheduled for processing during standard business hours.



COVID-19 Impacts

Council's administration and customer service centres located in Esk, Kilcoy and Lowood were closed to the public for seven and a half weeks due to the COVID-19 pandemic. The centres closed at COB Wednesday, 25 March 2020 and reopened Monday, 18 May 2020. During this time customer service staff worked behind the scenes continuing to serve customers via the phone.

Upon reopening of the customer service centres various control measures were implemented including physical barriers, signage and hand sanitiser to ensure recommended social distancing and hygiene practices were followed. Customer service officers have implemented strict cleaning regimes throughout the day to ensure sanitising of public areas is maintained.

QGAP

Council has operated a Queensland Government Agency at its Lowood Office since the year 2000. Of all the services offered at the QGAP agency, Queensland Transport transactions continue to be in demand.

	1/7/2015– 30/6/2016	1/7/2016– 30/6/2017	1/7/2017– 30/6/2018	1/7/2018– 30/6/2019	1/7/2019– 30/6/2020
Total number of Transactions	8383	6759	6469	6357	5648
Total collection value	\$1,455,321.48	\$1,241,068.55	\$1,119,649.61	\$1,126,303.18	\$870,223.84
Average time per transaction	4.76 minutes	5.60 minutes	6.15 minutes	5.34 minutes	5.37 minutes

LEGISLATIVE REQUIREMENTS

Community Financial Report

Section 184 of the Local Government Regulation 2012

What was Council's cash position in June 2020?

Council assets that will be converted to cash

Cash
Owing to Council

All figures are in round millions of dollars

	As at 30 June 2020	As at 30 June 2019	
Cash	\$ 79	\$ 79	million
Owing to Council	\$ 6	\$ 6	million
	<u>\$ 84</u>	<u>\$ 85</u>	million
Cash owing by Council			
Owing by Council under contract	\$ (7)	\$ (6)	million
Environmental and employee provisions	\$ (9)	\$ (9)	million
	<u>\$ (16)</u>	<u>\$ (15)</u>	million
Overall position - nett cash assets	<u>\$ 69</u>	<u>\$ 70</u>	million

What else did Council own in June 2020?

Council owns roads and other assets that are gradually wearing out and will require renewal or replacement. Council works out the value of roads, bridges and other assets using an estimate of the replacement cost and adjusts this to reflect the age and condition of its assets. Replacement costs are a guide as to what Council may be required to reinvest in community assets in future years.

The estimated replacement cost of roads, bridges, land, buildings etc was \$524 million.

Summary financial position

Value remaining in infrastructure	\$ 351	million
Value of other non-cash assets	\$ 43	million
Nett cash assets	\$ 69	million
Nett worth of the Council	<u>\$ 463</u>	million

Difference between the replacement cost (\$524 M) and value left in infrastructure (\$351 M)	\$ 172	million
Deduct nett cash	\$ 69	million
Deficit between nett cash and the potential cost of renewing Council's infrastructure	<u>\$ 104</u>	million

Where will the Council get the money to replace its assets?

The Queensland Government requires that councils consider how they will get the money to replace their assets in order to show their financial sustainability and requires that councils prepare long term plans to show that future residents will not have an unfair infrastructure replacement burden.

The 2020 deficit between the replacement costs of infrastructure and the value left in the infrastructure was \$172 million.

At June 2020, Council had enough nett cash reserves to renew \$69 million in assets if required.

A further \$104 million was needed to replace assets with the same type of asset as at June 2020.

Council engineers believe that some Council assets like road pavements will not require replacement for another 15 years.

While Council might have a long-term asset funding shortfall, there is sufficient time to allow Council to set strategies in place so that the shortfall can be met over time.

Cash held in reserve was invested in accordance with Council policy.

Interest returns to the community from all sources for 2019/20 equalled \$181 per rateable property.

How did Council perform during the year?

Councils are required to report indicators of financial sustainability each year. These are expressed as ratios, with the State Government setting targets for each. When considered over a six-year period, the ratios show Council has been generating operating surpluses, it has been replacing and renewing its assets at a faster rate than they are wearing out and it has no nett interest bearing debt.

Council did not meet its operating surplus ratio target for 2020.

Measures of financial sustainability	Target	Six-year average	Five-year average reported by QAO in February 2020 (2014-2019)	2019/2020
Operating surplus ratio	0% to 10%	4%	5%	-3%
Asset sustainability ratio	More than 90%	173%	182%	128%
Net financial liabilities ratio	Less than +60%	-163%	-163%	-163%

Resolutions

Section 185 of the Local Government Regulation 2012

No resolutions adopting an expenses reimbursement policy were made during the financial year. One resolution amending the existing reimbursement policy was made on 27 May 2020.

No resolutions relating to the threshold for non-current physical assets (s206(2) of the Local Government Regulation 2012) were made during the financial year.

Total Remuneration Paid to Each Councillor (including Superannuation Contribution)

Section 186(a) of the Local Government Regulation 2012

Total remuneration paid by Council to each of its Councillors for the 2019/2020 financial year.

COUNCILLOR	ALLOWANCE/FEES
Graeme Lehmann	\$121,696.90
Sean Choat	\$ 60,848.45
Cheryl Gaedtke	\$ 60,848.45
Daniel Hall	\$ 58,769.86
Helen Brieschke	\$ 63,223.41
Michael Ogg	\$ 48,974.41
Robert Whalley	\$ 60,848.45
Kylee Isidro	\$ 11,874.05
Jason Wendt	\$ 11,874.05
<i>Total Remuneration</i>	<i>\$498,958.03</i>

Total superannuation contributions paid by Council for each of its Councillors for the 2019/2020 financial year.

COUNCILLOR	SUPERANNUATION
Graeme Lehmann	\$14,603.72
Sean Choat	\$ 7,301.73
Cheryl Gaedtke	\$ 7,301.73
Daniel Hall	\$ 7,052.40
Helen Brieschke	\$ 7,586.74
Michael Ogg	\$ 5,876.86
Robert Whalley	\$ 7,301.73
Kylee Isidro	\$ 1,424.87
Jason Wendt	\$ 1,424.87
<i>Total Superannuation</i>	<i>\$59,874.65</i>

Expenses Incurred by and Facilities Provided to Each Councillor Under the Expense Reimbursement Policy

Section 186(b) of the Local Government Regulation 2012

Expenses reimbursed and facilities provided during 2019/2020 were.

COUNCILLOR	EXPENSES
Graeme Lehmann	\$30,459.51
Sean Choat	\$21,948.86
Cheryl Gaedtke	\$22,347.29
Daniel Hall	\$21,473.91
Helen Brieschke	\$23,029.59
Michael Ogg	\$16,045.07
Robert Whalley	\$19,970.42
Kylee Isidro	\$ 3,769.38
Jason Wendt	\$ 3,769.38
<i>Total</i>	<i>\$162,813.41</i>

No non-cash property was transferred to Councillors.

Councillor Meeting Attendance

Section 186(c) of the Local Government Regulation 2012

COUNCILLOR	ORDINARY MEETING	SPECIAL MEETING	POST ELECTION MEETING
Cr G Lehmann	21	4	1
Cr H Brieschke	21	4	1
Cr S Choat	20	3	1
Cr C Gaedtke	21	4	1
Cr B Whalley	20	4	1
Cr D Hall	16	3	N/A
Cr O Ogg	15 + 1 partial attendance	2	N/A
Cr K Isidro	5	1	1
Cr J Wendt	5	1	1

Councillor Misconduct

Section 186(d), (e), (f) of the Local Government Regulation 2012

s186(d)(i)	There were no orders or recommendations made under section 150I(2) of the <i>Local Government Act 2009</i> .
s186(d)(ii)	There were no orders made under section 150AH(1) of the <i>Local Government Act 2009</i> .
s186(d)(iii)	There were no orders or recommendations made under section 150AR(1) of the <i>Local Government Act 2009</i> .
s186(e)	Not applicable, as there were no decisions, orders or recommendations made about a Councillor under s186(d) during the financial year.
s186(f)(i)	There were no complaints referred to the Independent Assessor under section 150P(2)(a) of the <i>Local Government Act 2009</i> .
s186(f)(ii)	There were no complaints referred to the Crime and Corruption Commission or investigated by Council in accordance with any other law under section 150P(3) of the <i>Local Government Act 2009</i> .
s186(f)(iii)	There were no notices given to the Independent Assessor under section 150R of the <i>Local Government Act 2009</i> .
s186(f)(iv)	There were no notices given to the Independent Assessor concerning misconduct by any Councillor under section 150S of the <i>Local Government Act 2009</i> .
s186(f)(v)	There were no investigations or decisions by the Independent Assessor about Councillor conduct complaints referred or assessed under section 150W of the <i>Local Government Act 2009</i> .
s186(f)(vi)	There were no referral notices issued to Council by the Independent Assessor concerning misconduct by any Councillor under section 150AC of the <i>Local Government Act 2009</i> .
s186(f)(vii)	There were no investigations of suspected inappropriate conduct by Council of a Councillor under section 150AF of the <i>Local Government Act 2009</i> .
s186(f)(viii)	There were no investigations of suspected inappropriate conduct referred to Council by the Independent Assessor to deal with under Chapter 5A, Part 3, Division 5 of the <i>Local Government Act 2009</i> .
s186(f)(ix)	There were no applications heard by the conduct tribunal about the alleged misconduct of a Councillor.

Administrative Action Complaints

Section 187 of the Local Government Regulation 2012

Council is committed to dealing fairly with administrative action complaints. Council's approach to dealing with complaints is outlined in its Administrative Action Complaints Policy, which was effective from 1 July, 2011. This Policy has been reviewed several times since adoption. The scope of the policy is as follows:

The complaints process has been established for resolving complaints by affected persons about administrative action of the Council. However, the complaints process does not apply to a complaint -

- *that could be made under the Local Government Regulation 2012 about competitive neutrality issues;*
- *about official misconduct that should be directed to the Crime and Misconduct Commission;*
- *made under the Public Interest Disclosure Act 2010; or*
- *about the conduct and performance of Councillors under Division 6, Part 2, Chapter 6 of the Local Government Act 2009.*

This policy excludes requests for service, enquiries, suggestions, actions and decisions taken under legislation which provide for separate avenues of appeal, such as decisions made under the Planning Act 2016, prosecutions made under Local Laws that are appealable to a Magistrates Court and decisions under the Building Act, unless the complaint relates to administrative actions associated with the action or decision.

During 2019-2020, Council received one (1) application under this policy, which was completed by year end. This application was completed and was not reviewed externally. The application made was in relation to Council responding to development matters. No changes to internal processes were recommended.

There were also various other requests for review of Council's decisions using Council's internal review processes. These are outlined below.

Internal Reviews	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
	3	6	10	5

Application for Review of Local Government Decision	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
	5	2	3	6

Departmental Review – Level One	Date Range	Date Range	Date Range	Date Range
	2019 - 2020	2018 – 2019	2017 – 2018	2016 – 2017
Corporate Services Department	0	0	0	1
Operations Department	9	8	29	9
Planning and Development Department	0	0	1	0

None of the Level One reviews escalated to an Administrative Action complaint. One of the applications for review of a Local Government decision became an Administrative Action Complaint.

Our process for managing complaints has ensured that matters raised have been properly considered, that complainants have been offered natural justice and that issues relating to complaints generally have been resolved satisfactorily.

Overseas Travel

Section 188 of the Local Government Regulation 2012

There was no overseas travel undertaken by a councillor or local government employee in an official capacity during the financial year.

Grants to Community Organisations

Section 189 of the Local Government Regulation 2012

The local government's expenditure for the financial year on grants to community organisations was \$117,649.94. A further \$20,168.85 was provided in Regional Arts Development Fund grants.

Councillors did not have discretionary funds during the financial year.

Annual Operations Report for Each Commercial Business Unit

Section 190(1)(c) of the Local Government Regulation 2012

There were no commercial business units to report for the financial year.

Conducting a Joint Government Activity

Section 190(1)(d) of the Local Government Regulation 2012

There was no action taken for or expenditure on a service, facility or activity that was supplied by another local government under an agreement for conducting a joint government activity for which the local government levied special rates or charges for the financial year.

Invitations to Change Tenders

Section 190(1)(e) of the Local Government Regulation 2012

There were no invitations to change tenders under section 228(7) of the Local Government Regulation during the financial year.

Registers Kept by the Local Government

Section 190(1)(f) of the Local Government Regulation 2012

- Register of Regulatory and Cost-Recovery Fees
- Asset Register
- Register of Council Policies
- Delegations by Council
- Delegations by Chief Executive Officer
- Register of Interests
- Register of Gifts or Benefits
- Register of Local and Subordinate Local Laws
- Non-Conforming Use Register
- Rezoning Register
- Consent Register
- Subdivision Register
- Development Application Register
- Cemetery Register
- Food Premise Register
- Road Register
- Register of Contact with Lobbyists
- Councillor Conduct Register
- Infrastructure Charges Register

Summary of Concessions for Rates and Charges

Section 190(1)(g) of the Local Government Regulation 2012

Rebates and concessions on rates were as follows:

1. Pensioner part-remission of certain general rates as set out in the 2019/2020 Revenue Statement as follows:

R27. Pensioner rebate of Kilcoy differential general rates

R27.1 Qualifying Pensions

Rebate of part of certain rates and charges as determined by Council from time to time may be granted to owners who are holders of a current valid Queensland pensioner concession card and who are eligible to receive a State Government Pensioner Rate Subsidy under the rules of the State Government Pensioner Rate Subsidy Scheme.

The rebate may be granted under Section 120 of the Local Government Regulation 2012. Council has decided to phase out the granting of an automatic concession of this kind to pensioners, but wishes to protect those pensioners currently receiving the concession from any hardship resulting from the change. Those pensioners in receipt of the pensioner rate subsidy as at 30 June 2008 will continue to receive the subsidy provided they retain other eligibility criteria. However, no new automatic concession will be granted to those pensioners not already in receipt of the concession as at 30 June 2008.

R27.2 Application

A pensioner rebate as above shall apply to differential general rates within the former Kilcoy Shire.

R27.3 Calculation

The rebate of differential general rates within the former Kilcoy Shire shall be equal to:

- \$20 per annum multiplied by;
- The percentage to which the landowners are entitled to receive a State Government

Pensioner Rate Subsidy under the rules of that subsidy scheme as issued by State authorities from time to time.

For example, if a full State Government Pensioner Rate Subsidy applies to a rate assessment where differential general rates of \$1,000 would otherwise apply, the landowner shall be entitled to a rebate of \$20 of the rates. If 33% of the full State Government Pensioner Rate Subsidy applies, the landowner shall be entitled to a rebate of 33% of \$20 of the rates.

R27.4 Justification

Council has decided to offer the concession on differential general rates within the former Kilcoy Shire to recognise the financial impact on people of fixed incomes within the former Kilcoy Shire who enjoyed the same level of rebate in previous years.

R27.5 Administration

An application for a State Government Pensioner Rate Subsidy shall be taken to also be an application for Council pensioner rebate. The rules governing eligibility to the State Government Pensioner Rate Subsidy Scheme as issued by State authorities from time to time shall apply in determining eligibility to the Council rebate.

2. The following concession as resolved by Council

"THAT Council, under sections 119 to 122 of the Local Government Regulation 2012 resolve to:

- accept the email from Face Investments Pty Ltd of 24 April 2020 as an application for a rating concession on the grounds of hardship for each of rate assessments 02596-20000-000, 02597-00000-000 and 02597-05000-000
- while noting that there is no legal provision for a pro rata application of a rating category during a rating period, allow a concession as a rebate of rates calculated as 62% of the net difference between the rates levied and the rates that would have been applicable under rating category 1 if that category had applied to all three properties for the rating period."

3. The following concessions as resolved by Council

"THAT Council grant a class concession under s122(1)(b) of the Local Government Regulation 2012 for hardship reasons where the class of ratepayers is identified as the owners of properties that meet the criteria of differential general rating category 204 as at the time of the rating categorisation decision for the period 1 July 2020 to 31 December 2020 and where the concession is identified as a partial rebate of general rates for the period 1 July 2020 to 31 December 2020 calculated as the difference in the gross general rates applicable for differential general rating category 204 and the gross general rates that would have applied if a material change of use development permit had not been issued allowing for the use of the land in whole or in part for a renewable energy facility."

"THAT Council grant a class concession under s122(1)(b) of the Local Government Regulation 2012 for hardship reasons where the class of ratepayers is identified as the owners of properties that meet the criteria of differential general rating category 204 as at the time of the rating categorisation decision for the period 1 January 2020 to 30 June 2020 and where the concession is identified as a partial rebate of general rates for the period 1 January 2020 to 30 June 2020 calculated as the difference in the gross general rates applicable for differential general rating category 204 and the gross general rates that would have applied if a material change of use development permit had not been issued allowing for the use of the land in whole or in part for a renewable energy facility."

"THAT Council grant a class concession under s122(1)(b) of the Local Government Regulation 2012 for hardship reasons where the class of ratepayers is identified as the owners of properties that meet the criteria of differential general rating category 204 as at the time of the rating categorisation decision for the period 1 July 2019 to 31 December 2019 and where the concession is identified as a partial rebate of general rates for the period 1 July 2019 to 31 December 2019 calculated as the difference in the gross general rates applicable for differential general rating category 204 and the gross general rates that would have applied if a material change of use development permit had not been issued allowing for the use of the land in whole or in part for a renewable energy facility."

4. *The following concession as resolved by Council*

"THAT Council provide a class concession under section 122 of the Local Government Regulation 2012 to all current property owners whose properties have been subject to an inspection program special charge during 2019/2020 where the concession is provided on the basis of hardship and represents a rebate of the inspection program special charge for 2019/2020 plus any interest charged to date on any inspection program special charge that would be overdue if not for this resolution and further that the decision to not complete the 2019/2020 inspection program be endorsed for public health and economic development reasons."

5. *The following concession as resolved by Council*

"THAT Council allow a class concession of general rates for hardship reasons for all properties that would otherwise be categorised into differential general rating category 101 and which have a rateable valuation of \$500,000 where the concession is identified as a partial rebate calculated as the difference between the general rates applying for rating category 101 and the general rates that would apply for rating category 1."

6. *The following concession as resolved by Council*

"THAT Council, for hardship reasons, provide a class concession for all property owners where differential general rating category 37 applies for the period 1 January 2020 to 30 June 2020 being a rebate equal to 25% of the net general rate assessed."

7. *The following concessions as resolved by Council*

"1. THAT a rebate of rates and charges be given to the owner of Lot 1 RP28857 assessment 02352-80000-000 for the period 1 July 2019 to 31 December 2019 equal to the difference between the net general rates charged for the property on the rate notice issued August 2019 and the net amount that would have been payable if the property had been categorised in rating category 2 because the payment of the rates or charges would cause hardship to the land owner.

2. THAT no rebate in the extractive industries inspection levy on Lot 1 RP28857 assessment 02352-80000-000 be granted for the period 1 July 2019 to 31 December 2019.

3. THAT provided extraction of materials on the property does not occur prior to February 2020, a rebate of rates and charges be given to the owner of Lot 1 RP28857 assessment 02352-80000-000 for the period 1 January 2020 to 30 June 2020 of the same amount as the 2019 rebate plus the amount of the half yearly extractive industry inspection levy because the payment of the rates or charges would cause hardship to the land owner."

8. *The following concession as resolved by Council*

"THAT Council, for hardship reasons, provide a class concession for all property owners where differential general rating category 37 applies for the period 1 January 2020 to 30 June 2020 being a rebate equal to 25% of the net general rate assessed."

9. *The following concessions as resolved by Council*

"1. THAT the email received from a representative of the owner of 35888-00000-000 on 28 August 2019 requesting a rebate of rates for that property be accepted as an application meeting the requirements of section 122 (3) of the Local Government Regulation 2012.

2. THAT a rebate of rates and charges be given to the owner of lot 4 RP891065 - 35888-00000-000 for the period 1 July 2019 to 31 December 2019 equal to the difference between the net general rates actually charged for the property on the rate notice issued in August 2019 and the net amount that would have been payable if the property had been categorised in rating category 3 because the payment of the rates as categorised would cause hardship to the land owner.

3. THAT a full rebate in the extractive industries inspection levy on lot 4 RP891065 - 35888-00000-000 be granted for the period 1 July 2019 to 31 December 2019 because extraction from the property is understood to not be possible and because payment of the charge would cause hardship to the land owner.

4. THAT provided before February 2020 Council does not become aware of any renewed extraction activities on the property, a rebate of rates and charges be given to the owner of lot 4 RP891065 - 35888-00000-000 for the period 1 January 2020 to 30 June 2020 equal to the difference between the net general rates otherwise chargeable for the property and the net amount that would be payable if the property was categorised in rating category 3 because the payment of the rates as categorised would cause hardship to the land owner.

5. THAT provided before February 2020 Council does not become aware of any renewed extraction activities on the property, a full rebate in any extractive industries inspection levy that might apply on lot 4 RP891065 - 35888-00000-000 be granted for the period 1 January 2020 to 30 June 2020 because payment of the charge would cause hardship to the land owner."

10. *The following concession as resolved by Council*

"THAT document 1171140 dated 21 January 2020 be treated as an application for rebate of rates from the relevant owner and that a rebate of rates be allowed for hardship reasons for 34646-00000-000 - L 3 RP28826 and L 3 RP28827 calculated as the difference between the general rates that were assessed based on the property

being an outdoor sales area as defined in Council's rating resolutions and the general rates that would have applied if the property was categorised as residential rating category 11 during the whole of the 2019/2020 financial year."

11. The following concession as resolved by Council

"THAT document 1166928 dated 20 December 2019 be treated as an application for rebate of rates and that a rebate of rates be allowed for hardship reasons for lot 2 SP222648 34812-50000-000 calculated as the difference between the nett general rates that were assessed using the rating category applying based on the DNRME land use code that issued for the property after transfer on 13 March 2019 and the nett general rates that would have applied if the property was categorised as farming rating category 2 during the whole of 2019."

12. The following concession as resolved by Council

"THAT document 1150464 be treated as an application for a rate rebate and that a rate rebate be allowed for hardship reasons equivalent to the discount that would have been applicable had the circumstances outlined by the property owner not have occurred."

13. The following concession as resolved by Council

"THAT a class concession be provided under section 122 of the Local Government Regulation 2012 for hardship reasons to owners of properties where:

- No rate balance was owing at 25 February 2020; and
- No discount had been allowed in respect of the rate notice that issued on 25 February 2020

where the concession is provided on the basis of hardship and represents a rebate of an amount equivalent to the discount that would otherwise have been available."

Report on the Internal Audit

Section 190(1)(h) of the Local Government Regulation 2012.

See Attachment 1 – Report on the Internal Audit.

Investigation Notices for Competitive Neutrality Complaints

Section 190(1)(i) and (j) of the Local Government Regulation 2012

There were no investigation notices given in the financial year under Section 49 of the Local Government Regulation 2012.

As such, there were no responses required from Council in the financial year relating to QCA recommendations on competitive neutrality complaints under Section 52(3) of the Local Government Regulation 2012.

Identify Beneficial Enterprises

Section 41 of the Local Government Act 2009

Nil.

Identify Significant Business Activities
Section 45 and 46 of the Local Government Act 2009

Nil.

Trunk Infrastructure Information

Section 3A(5), Schedule 22, Planning Regulation 2017

Infrastructure charges information/ trunk infrastructure information

Infrastructure charges revenue and expenditure reporting (actual and forecast) and trunk infrastructure delivery summary

Somerset Regional Council

Sep-20

2019/20 financial year infrastructure charges revenue and expenditure summary

	Infrastructure charges revenue		Infrastructure charges revenue expenditure		
	Total amount of infrastructure charges revenue collected (by way of infrastructure charges levied)	Total amount of infrastructure charges that were offset (i.e. infrastructure provided by a developer in lieu of paying the charge)	Total amount of infrastructure charges revenue spent on the supply of trunk infrastructure	Total amount of infrastructure charges that the local government refunded	Total amount of unspent infrastructure charges revenue
	\$'000	\$'000	\$'000	\$'000	\$'000
Somerset RC	112	0	112	0	0

2019/20 financial year trunk infrastructure delivery summary

LGIP reference number (if applicable)	Trunk Infrastructure description	Trunk Infrastructure network	Suburb or locality of trunk infrastructure	Method of infrastructure delivery (council or developer contributed)	Infrastructure value	Development approval reference number (if applicable)
TRE022	Esk Crows Nest Road	Transport	Biarra	Council	\$1,466,802	
TRE0835	Mount Stanley Road	Transport	Mount Stanley	Council	\$211,675	
TRE115	Lowood Minden Road	Transport	Lowood	Council	\$21,904	
TRE036	Gregors Creek Road	Transport	Gregors Creek	Council	\$2,161,478	
	Ipswich Street	Transport	Esk	Council	\$40,245	
	Railway Street	Transport	Lowood	Council	\$41,969	
QFS075	Yowie Park	Parks and Open Space	Kilcoy	Council	\$63,753	
QFS0072	Pipeliner Park	Parks and Open Space	Esk	Council	\$24,220	
OSE077	Trackside Pavilion	Parks and Open Space	Kilcoy	Council	\$670,869	
OSE077	Tiered Seats	Parks and Open Space	Kilcoy	Council	\$90,000	
TRE107	Cloake Street	Transport	Coominya	Council	\$205,862	
TRE099	Lowood Hills Road	Transport	Lowood	Council	\$67,644	
	Lindemans Road	Stormwater	Lowood	Council	\$10,534	
TRE052	Cresbrook Street	Transport	Toogoolawah	Council	\$56,953	
TRE017	Clive Street	Transport	Fernvale	Council	\$130,410	
TRE119	Prospect Street	Transport	Lowood	Council	\$236,691	
TRE084	Glamorgan Vale Road	Transport	Glamorgan Vale	Council	\$44,961	
QSF065	Memorial Park Fernvale	Parks and Open Space	Fernvale	Council	\$17,016	
STRE17	Yellow Gully Bridge	Transport	Atkinson Dam	Council	\$1,395,153	
STRE07	Charles Gully	Transport	Linville	Council	\$274,781	
STRE08	Burnett Inn Creek Bridge	Transport	Linville	Council	\$324,890	
STRE22	Shallcross Bridge	Transport	Woolmar	Council	\$1,300,953	

Forecast infrastructure charges revenue and trunk infrastructure expenditure summary

	Financial Year			
	2020/2021	2021/2022	2022/2023	Total
	\$'000	\$'000	\$'000	\$'000
Infrastructure charges revenue	0	0	0	0
Trunk infrastructure expenditure	3,000*	0	0	0

*Estimate only.

Reporting requirements:

- The infrastructure charges information/prescribed trunk infrastructure information template should be read in conjunction with Schedules 22 and 24 of the Planning Regulation 2017 (the Regulation).
- The template is only to local governments who have an LGIP in place and is included within an infrastructure charges register.
- From 1 January 2020, local governments will be required to report annually on infrastructure charges revenue collected and expended and forecast infrastructure charges revenue and expenditure.
- Forecast infrastructure charges revenue and trunk infrastructure expenditure, is to be reported for the current financial year and the following three consecutive financial years.
- Actual infrastructure charges revenue and expenditure for the previous financial year is also required to be provided.
- A list of trunk infrastructure supplied by the local government and developers is to be reported on:
 - annually for local governments with an estimated infrastructure charges revenue and/or forecast future spending of trunk infrastructure for the next financial year of less than \$20 million in the previous financial year. Reporting is to be provided at the same time as the annual report.
 - quarterly for local governments with an estimated infrastructure charges revenue and/or forecast future spending of trunk infrastructure for the next financial year of more than \$20 million in the previous financial year. Reporting is to be provided as soon as practicable following the close of the quarter. As the quarterly reports are produced, a summary of the trunk infrastructure for the entire financial year will be displayed in the infrastructure charges register.

An overview of how infrastructure charges revenue is collected and expended:

- Infrastructure charges are collected in monetary form and in non-cash form as trunk infrastructure may be provided by a developer in lieu of paying the levied infrastructure charge.
- Not all infrastructure charges that are levied through development are collected by the local government, as the development approval may lapse.
- Under the Planning Act 2016, infrastructure charges revenue that is collected in monetary form, is not required to be spent in the same suburb or locality where it was collected.
- Infrastructure charges revenue may be used to pay for shared regional scale infrastructure such as an arterial road or sewerage treatment plant.
- Offset provisions under the Planning Act 2016, also allow for an entire infrastructure charge, relating to more than one network, to be applied against the cost of infrastructure to be provided under a condition of development (i.e. the construction of an arterial road).
- Due to slow development growth, infrastructure charges that are collected may sit with a local government for a period of time, before being spent on trunk infrastructure.

ATTACHMENT 1 – REPORT ON THE INTERNAL AUDIT

ATTACHMENT 1 – REPORT ON THE INTERNAL AUDIT

Section 190(1)(h) of the Local Government Regulation 2012



Internal Audit Progress Report

Somerset Regional Council

Background

S211 (1) (b) (iii) of the Local Government Regulation 2012 states that the Audit Committee shall be provided with an internal audit progress report "for the internal audit for the preceding financial year including the recommendations in the report and the actions to which the recommendations relate".

Internal Audit Activities for Financial Year 2019/20

The following is a summary of the Internal Audits which have been completed for the 2019/20 Financial Year, in accordance with the Three-year Strategic Internal Audit Plan.

Internal Audit Items to 30 June 2020	Status		Comments
	Progress	Indicative Timing	
Core business processes and / or specific internal audits of identified key business risk			
<ul style="list-style-type: none">• Accounts Payable• IT Systems and Security• Business Continuity Plan	Completed	Q2	The Internal Audits have been completed and the reports were presented at the Audit Committee meeting on 11 March 2020.
Administration and Planning			
Development of the Three-year Strategic Internal Audit Plan (2019/20 – 2021/22) and Annual Internal Audit Plan for 2019/20	Completed	Q3	The Three-year Strategic (2019/20 – 2021/22) and Annual (2019/20) Internal Audit Plans were presented and approved by the Audit Committee in September 2019.
Audit Committee Meetings	Completed	Q1, Q3	We attended the Audit Committee meetings as requested.
Administration and Prior Period Follow Up	Completed	Q4	The follow up of prior period findings has been completed and the report was presented at the Audit Committee meeting on 11 March 2020.

We have not identified any other matters that require your attention.

ATTACHMENT 2 – FINANCIAL STATEMENTS

including the Long-Term Financial Sustainability Statement

Section 183(c) of the Local Government Regulation 2012



Somerset

REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2020

SOMERSET REGIONAL COUNCIL
Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
Continuing operations			
Revenue			
Capital Revenue			
Grants, subsidies, contributions and donations	5	<u>5,105</u>	<u>5,685</u>
Recurrent revenue			
Rates, levies and charges	3a	21,719	21,882
Fees and charges	3b	1,337	1,566
Rental income		312	367
Interest income	3c	2,134	3,027
Sales revenue	3d	8,629	8,230
Other income	3e	2,238	2,433
Grants, subsidies, contributions and donations	4	<u>4,542</u>	<u>3,976</u>
		<u>40,911</u>	<u>41,480</u>
Total revenue		46,016	47,164
Share of the profit of associated entity accounted for using the equity method	13	<u>1,831</u>	<u>1,871</u>
		47,847	49,036
Expenses			
Recurrent expenses			
Employee benefits	8	(14,056)	(13,586)
Depreciation	14	(9,218)	(8,873)
Other expenses	9	(814)	(1,180)
Materials and services	6	(19,956)	(16,435)
Finance costs	15	<u>(39)</u>	<u>-</u>
		<u>(44,083)</u>	<u>(40,073)</u>
Capital expenses			
Loss on the disposal of capital assets	7	(781)	-
Total expenses		<u>(44,864)</u>	<u>(40,073)</u>
Gain on the disposal of capital assets	7	<u>-</u>	<u>729</u>
Net result for year		<u>2,984</u>	<u>9,692</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/ (decrease) in asset revaluation surplus	14	(211)	3,578
Total other comprehensive income for the year		<u>(211)</u>	<u>3,578</u>
Total comprehensive income for the year		<u>2,772</u>	<u>13,270</u>

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 information is presented using the previous standards relating to revenue and leases.

SOMERSET REGIONAL COUNCIL
Statement of Financial Position
As at 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
ASSETS			
Current Assets			
Cash and cash equivalents	10	78,529	79,449
Trade and other receivables	11	6,565	5,964
Contract assets	29	728	-
Inventories	30	535	658
		<u>86,357</u>	<u>86,071</u>
Non-Current Assets			
Trade and other receivables	12	13,804	13,804
Investment in associate	13	29,024	28,507
Property, plant and equipment	14	351,460	346,217
		<u>394,288</u>	<u>388,528</u>
TOTAL ASSETS		<u>480,644</u>	<u>474,599</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	16	5,465	6,063
Contract liabilities	29	2,217	-
Lease liabilities	15	234	-
Provisions	17	1,798	1,729
		<u>9,714</u>	<u>7,792</u>
Non-Current Liabilities			
Lease liabilities	15	348	-
Provisions	17	6,913	7,511
		<u>7,262</u>	<u>7,511</u>
TOTAL LIABILITIES		<u>16,976</u>	<u>15,303</u>
NET COMMUNITY ASSETS		<u>463,669</u>	<u>459,296</u>
Community Equity			
Retained surplus		367,771	363,298
Asset revaluation surplus	18	64,071	64,282
Reserves	19	31,827	31,716
TOTAL COMMUNITY EQUITY		<u>463,669</u>	<u>459,296</u>

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 information is presented using the previous standards relating to revenue and leases.

SOMERSET REGIONAL COUNCIL
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
Cash flows from operating activities			
Receipts from customers		50,759	45,171
Payments to suppliers and employees		(40,093)	(32,190)
		<u>10,666</u>	<u>12,981</u>
Interest received		1,891	2,780
Dividend received		1,313	1,264
Net cash inflow (outflow) from operating activities	25	<u>13,870</u>	<u>17,024</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(14,843)	(14,131)
Proceeds from sale of property, plant and equipment		376	2,038
Net cash inflow (outflow) from investing activities		<u>(14,467)</u>	<u>(12,094)</u>
Cash flow from financing activities			
Repayments made on leases		(323)	-
Net cash inflow (outflow) from financing activities		<u>(323)</u>	<u>-</u>
Net increase (decrease) in cash held		(920)	4,931
Cash at beginning of reporting period		79,449	74,519
Cash at end of reporting period	10	<u><u>78,529</u></u>	<u><u>79,449</u></u>

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

SOMERSET REGIONAL COUNCIL
Statement of Changes in Equity
For the year ended 30 June 2020

	Total		Retained surplus		Asset revaluation surplus Note 18		Reserves Note 19	
	2020 (\$ 000's)	2019 (\$ 000's)	2020 (\$ 000's)	2019 (\$ 000's)	2020 (\$ 000's)	2019 (\$ 000's)	2020 (\$ 000's)	2019 (\$ 000's)
Balance at beginning of year	459,296	446,026	363,298	353,855	64,282	60,703	31,716	31,468
Net result for the year	2,984	9,692	2,984	9,692	-	-	-	-
Transfers to reserves	-	-	(112)	(248)	-	-	112	248
Transfers from reserves	-	-	-	-	-	-	-	-
Adjustment on initial application of AASB 15/ AASB 1058	1,601	-	1,601	-	-	-	-	-
Other comprehensive income for the year - net increase/(decrease) in asset revaluation surplus	(211)	3,578	-	-	(211)	3,578	-	-
Balance at end of year	463,669	459,296	367,771	363,298	64,071	64,282	31,827	31,716

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

SOMERSET REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2020

Note 1

The basis of preparation and the significant accounting policies that have been adopted in the preparation of these financial statements are:

1.01 Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board that are relevant to Council's operations and effective for the current reporting period. Because the council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets

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

Recurrent/capital classification

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

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

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

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

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

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

The council uses the Australian dollar as its functional currency and its presentation currency.

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

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero. There may be differences between financial statements and notes to the financial statements due to the rounding.

1.02 Changes to accounting policies

Unless otherwise stated, accounting policies have been consistently applied throughout the period.

1.03 Adoption of new and revised Accounting Standards

This year Council has 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 29 for transition disclosures for AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP Entities and AASB 16 Leases.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. No relevant standards have been identified that are expected to have a material impact upon council's future financial statements.

1.04 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements.

Those that have a significant effect, or risk causing an adjustment to council's assets or liabilities relate to:

- Valuation and depreciation of property, plant and equipment - Note 14
- Impairment of property, plant and equipment - Note 14
- Investments - Note 13
- Provisions - Note 17
- Contingent liabilities - Note 21

1.05 Volunteer services

The value of volunteer services received is not material and cannot be reliably measured and is not recognised as revenue.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

Note 2 (a) - Analysis of Results by Function

	Subsidy and Grant Income		Other Income		Total Income		Expenses		Net Result		Total Assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Corporate and Community Services	753	778	902	1,055	1,655	1,833	7,917	6,721	(6,262)	(4,888)	-	-
Executive	-	-	-	-	-	-	1,374	1,429	(1,374)	(1,429)	-	-
Finance	3,720	3,338	23,631	26,644	27,351	29,982	846	1,135	26,505	28,847	129,185	128,382
Human Resources/ Customer Service	65	46	1	1	65	47	1,795	1,602	(1,730)	(1,555)	-	-
Operations	4,750	4,738	8,886	8,591	13,637	13,328	26,940	24,393	(13,303)	(11,064)	351,460	346,217
Planning and Development	111	110	1,106	1,424	1,217	1,534	3,277	2,824	(2,060)	(1,290)	-	-
Waste management	-	-	3,142	3,040	3,142	3,040	1,934	1,970	1,208	1,070	-	-
Total	9,398	9,010	37,668	40,755	47,066	49,764	44,083	40,073	2,984	9,692	480,644	474,599

Note 2.(b)

Description of Component Programs/ Functions

- Corporate and Community Services includes activities such as information systems, records and community, recreation and cultural activities
- Executive includes the elected council and support and advice to council as well as ensuring the implementation of council resolutions, policies and decisions, providing leadership and coordination of departmental operations and performance, corporate planning, public relations management and tourism promotion.
- Finance includes administration of revenues and expenditures, financial and asset reporting, planning, taxation and internal control functions.
- Human Resources and Customer Services includes personnel matters as well as customer service functions.
- Operations includes management of Council's infrastructure, disaster risk management, public spaces, plant and contract works.
- Planning and Development includes land use planning and building issues, economic development and regulatory services including animal control.
- Waste Management includes the collection and disposal of domestic and other refuse, recycling and the operation of waste facilities.
- Share of profit from associate relates to Central SEQ Distributor-Retailer Authority trading as Urban Utilities.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020 Note (\$ 000's)	2019 (\$ 000's)
3. Revenue analysis		
Revenue recognised at a point in time		
AASB 15		
Grants, subsidies, contributions and donations - recurrent	11	
Fees and charges	342	
	<u>353</u>	
AASB 1058		
Rates, levies and charges	21,719	
Grants, subsidies, contributions and donations - recurrent	4,045	
Grants, subsidies, contributions and donations - capital	1,731	
Other income	1,840	
	<u>29,334</u>	
Revenue recognised over time		
AASB 15		
Fees and charges	995	
Rental income	312	
Interest income	2,134	
Sales revenue	8,629	
Other income	399	
	<u>12,469</u>	
AASB 1058		
Grants, subsidies, contributions and donations - recurrent	487	
Grants, subsidies, contributions and donations - capital	3,374	
	<u>3,861</u>	
Total revenue	<u>46,016</u>	

(a) Rates, levies and charges

FY2020 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.

FY2019 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.

General rates	20,748	20,967
Food Act inspection special charge	13	30
Extractive industries inspection program special charge	-	28
Kennels inspection program special charge	-	10
Intensive poultry farm inspection program special charge	-	28
Rural fire levy special charge	212	204
Environmental separate charge	235	118
State Emergency Service separate charge	329	306
Garbage charges	3,521	3,393
Total gross rates and charges	<u>25,058</u>	<u>25,084</u>
Less: Discounts and pensioner remissions		
Discount - General rates	(2,873)	(2,757)
Discount - Garbage charges	(464)	(441)
Pensioner remissions	(3)	(3)
Total rate and charges discounts and pensioner remissions	<u>(3,339)</u>	<u>(3,202)</u>
	<u>21,719</u>	<u>21,882</u>

(b) Fees and charges

Fees and charges consist of both cost-recovery fees as defined in the Local Government Act 2009 for which Council has a statutory power to collect and commercial fees and charges which are collected on a contractual basis for matters such as cemetery operations and waste operations

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020	2019
Note	(\$ 000's)	(\$ 000's)

FY2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example at a camping ground. There is no material obligation for Council in relation to refunds or returns. Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence. Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

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.

Animal control/ local law fees	187	259
Building fees	371	419
Cemetery fees	126	110
Change of ownership fees	54	65
Health and other fees	8	8
Planning and engineering fees	327	421
Property search fees	179	196
Waste fees	85	88
	<u>1,337</u>	<u>1,566</u>

(c) Interest income

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

Queensland Treasury Corporation	891	440
Urban Utilities	630	649
Interest from bank term deposits	368	1,685
Other bank interest	2	6
Interest from overdue general rates and other charges	207	208
Interest from overdue garbage charges	36	39
	<u>2,134</u>	<u>3,027</u>

(d) Sales revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. The contract work carried out is not subject to retentions.

Derived from - State Government transport entities	8,226	8,153
Derived from - water entities	36	41
Derived from - other parties	367	35
	<u>8,629</u>	<u>8,230</u>

(e) Other operating income

Commissions earned/ administration fees retained	122	122
Ex-Gratia Queensland Treasury payments	1,166	1,137
Sponsorships and contributions	1	13
Tax equivalent receipts - Urban Utilities	674	783
Other income	275	378
	<u>2,238</u>	<u>2,433</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020	2019
Note	(\$ 000's)	(\$ 000's)

4. Contributions, grants and subsidies - recurrent

Government subsidies/ grants used for recurrent expenditure

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 performance obligations within AASB 15 grants e.g. events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control 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. 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.

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. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Community/ social services	140	136
Environmental initiatives	100	100
Financial Assistance Grant	3,720	3,338
Fuel tax credits	135	113
Immunisation	11	10
Library grants	167	110
Natural disaster preparedness	139	56
Other recurrent grants	22	25
Regional Arts Development Fund	23	20
State Emergency Service	22	22
Training and development	65	46
Total recurrent grants and subsidies	4,542	3,976

5. Contributions, grants and subsidies - capital

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.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
a. General/ special purpose government subsidies/			
Bridges Renewal Program		1,382	715
Building Better Regions Fund		-	930
Building our Regions - Kilcoy Racecourse Development		295	185
Drought Communities Program extension - rural road upgrade		-	900
Heavy Vehicle Safety and Productivity Program		602	-
Local government grants and subsidies - solar projects		106	303
Roads to Recovery - Commonwealth road and bridge funding		1,482	455
Transport Infrastructure Development		599	247
Transport other programs - cycle network/ bus shelters		391	1,301
Total capital grants and subsidies		<u>4,856</u>	<u>5,034</u>
b. Contributions constrained for capital purposes			
Contribution of monetary assets by developers		<u>130</u>	<u>248</u>
		<u>130</u>	<u>248</u>
c. Contributions of non-monetary assets			
Non-cash contributions in excess of the recognition thresholds set out in Note 14 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.			
Physical assets contributed to Council by developers in the form of road works, stormwater infrastructure and recreation assets 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. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.			
Contribution of non-monetary non-current assets by developers at fair value	14	<u>119</u>	<u>403</u>
		<u>119</u>	<u>403</u>
Total capital grants, subsidies and contributions (a, b and c)		<u>5,105</u>	<u>5,685</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
6. Ordinary expense activity analysis			
Materials and services analysis			
Bridge consultancies		239	-
Contract upgrade works - State controlled roads		4,802	4,443
Contributions to volunteer rural fire brigades		212	204
Donations		138	180
Floodplain management planning		222	-
Fringe benefits tax		122	123
Fuel and oil		730	825
Gravel operations		264	87
Indoor sports centre operations		698	373
Information technology goods and services		500	360
Insurance premiums - property and public liability		565	578
Internal audit services		27	24
Legal services		766	206
Library book purchases		73	97
Library operations other than book purchases		124	138
Mechanical parts, tyres and batteries and plant servicing		546	517
Office and communications		703	486
Plant and vehicle registrations		88	79
Street lighting		258	273
Somerset civic centre operations		226	219
Subscriptions		89	115
Swimming pool operations		614	487
Tourism operations		306	296
Trails and paths		100	112
Valuation of land and assets		144	143
Waste collection contract services		1,171	1,212
Water and sewerage services - Urban Utilities		396	282
Other materials and services		5,833	4,576
Total		19,956	16,435

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	Note	2020 (\$ 000's)	2019 (\$ 000's)
7. Gain (loss) on the disposal of capital assets			
(i) Proceeds from the disposal of property, plant and equipment:			
Buildings and other structures		-	-
Plant and equipment		376	423
Roads		-	-
Less: Book value of property, plant and equipment disposed			
Buildings and other structures	14	-	(120)
Plant and equipment	14	(483)	(503)
Roads	14	(674)	-
		<u>(781)</u>	<u>(201)</u>
(ii) Proceeds from the disposal of land (not held for redevelopment)		-	1,615
Less: Book value of land disposed	14	-	(686)
Gain (loss) on the disposal of land		-	929
Gain (loss) on the disposal of capital assets		<u>(781)</u>	<u>729</u>
Gains on the disposal of capital assets are included with income. Losses on the disposal of capital assets are included with expenses.			
8. Employee benefits			
Total wages and salaries		13,691	13,994
Leave entitlements and other employee related expenses		605	(2)
Superannuation		1,580	1,580
Total employee costs		<u>15,876</u>	<u>15,572</u>
Employed for:			
Capital purposes		1,820	1,986
Operating purposes		14,056	13,586
		<u>15,876</u>	<u>15,572</u>
Number of employees as at 30 June		<u>199</u>	<u>200</u>
9. Other expenses			
Included in other expenses are the following :			
Audit of financial statements by the Auditor-General of Queensland		91	70
Operating lease rentals (2019 only)		-	373
Councillors' remuneration		682	681
Other Councillor costs		41	56
		<u>814</u>	<u>1,180</u>

Payments made under 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.

Councillor remuneration represents salary, superannuation contributions and other allowances paid in respect of carrying out their duties. In addition to these amounts, the Mayor received the use of a fully maintained motor vehicle and all Councillors received reimbursement for various expenses incurred. Council has not resolved that councillors are employees. Councillor remuneration is therefore not included in employee costs.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020 (\$ 000's)	2019 (\$ 000's)
10. Cash and cash equivalents		
For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at year end and deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the council's option without penalty and that are subject to a low risk of changes in value. The council considers term deposits with original maturities of less than six months to be cash equivalents.		
Cash on hand – petty cash and cash floats	6	5
Cash at bank - operating fund (including unrepresented cheques)	3,200	357
Less cheques drawn on operating fund but not presented at balance date	(2,965)	(1,589)
Cash at bank – other	2,276	2,164
Term deposits	1,000	41,000
Short term investments at call	75,014	37,512
Balance per statement of cash flows	<u>78,529</u>	<u>79,449</u>

There were no externally imposed expenditure restrictions at reporting date on any cash asset.

Short term investments at call are held with the Queensland Treasury Corporation. The short term investments at call bear floating interest rates as detailed in note 28.

11. Trade and other receivables (current)

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement of trade debtors is required within 30 days after the invoice is issued. Rate debts fall due 42 days after issue of a rate assessment notice.

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

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

The carrying amounts of trade receivables are assumed to approximate their fair values due to their short-term nature.

Rates and utility charges levied	2,903	2,545
Less: impairment of rates debtors	-	(25)
	<u>2,903</u>	<u>2,521</u>
Goods and services tax (GST) refundable	236	119
Other debtors accrued	3,106	1,831
Other debtors levied	212	1,358
Less: impairment of non-rates debtors	(128)	(139)
	<u>3,425</u>	<u>3,169</u>
Prepayments	237	275
	<u>6,565</u>	<u>5,964</u>

Interest was charged on outstanding rates at a rate of 9.83% per annum (The rate after 30 June 2020 is 8.53%). No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges and fees.

12. Trade and other receivables (non-current)

Participant loan - Central SEQ Distributor-Retailer Authority trading as Urban Utilities (QUU)

<u>13,804</u>	<u>13,804</u>
---------------	---------------

Council held an equity participant debt with Urban Utilities valued at \$13,804,033 as at balance date. Further information about the relationship between the council and Urban Utilities is contained at Note 13 The loan receivable is subject to an agreement that provides for interest rate with monthly interest-only payments until 30 June 2023. The loan agreement provides for monthly interest-only payments based on a mixture of fixed and variable interest rate components with an interest rate set based on the recommendations of Queensland Treasury Corporation. At balance date this interest rate was 4.22% (2019 - 4.56%).

Accordingly the equity participant debt is treated as a non-current receivable. This debt was not secured.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020 (\$ 000's)	2019 (\$ 000's)
13. Investment in associate		
13a Carrying value of Investments		
Non-Current		
Right to participate in the profits of Central SEQ Distributor-Retailer Authority trading as Urban Utilities - opening balance	28,507	27,899
Plus 0.826% share of income of Urban Utilities less distributions received or receivable	518	608
Closing balance - investment in associate accounted for using the equity method	<u>29,024</u>	<u>28,507</u>
13b Summarised financial information		
The following table illustrates summarised financial information of the associate, Urban Utilities:		
Extract from the associate's statement of financial position:		
Current assets	323,955	240,263
Non-Current assets	<u>6,092,037</u>	<u>5,787,505</u>
	<u>6,415,992</u>	<u>6,027,768</u>
Current liabilities	363,742	323,086
Non-Current liabilities	<u>2,532,968</u>	<u>2,264,994</u>
	<u>2,896,710</u>	<u>2,588,080</u>
Net assets	<u>3,519,281</u>	<u>3,439,688</u>
Share of associate's net assets	<u>29,024</u>	<u>28,507</u>
Extract from the associate's statement of comprehensive income:		
Revenue	1,437,433	1,377,659
Net profit	223,619	226,554
Less: Other comprehensive income	(1,967)	-
Net profit and other comprehensive income	<u>221,652</u>	<u>226,554</u>
Share of associate's net profit	<u>1,831</u>	<u>1,871</u>
Council's share in the associate's profits and losses resulting from transactions with Urban Utilities has been analysed as below and judged to be immaterial to the closing value		
Sales by Somerset Regional Council to Urban Utilities	36	41
Purchases by Somerset Regional Council from Urban Utilities	396	282
Sales revenue as a percentage of Urban Utilities operating expenditure	0.00%	0.00%
Purchase expenditure as a percentage of Urban Utilities operating revenue	0.03%	0.02%

The South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (the Act) established a statutory body called the Central SEQ Distributor-Retailer Authority on 3 November 2009 to deliver water and wastewater services within the local government areas of Brisbane City, Ipswich City, Scenic Rim region, Lockyer Valley region and Somerset region. The Authority trades as Urban Utilities. Urban Utilities (QUU) is an unincorporated entity and is domiciled in Brisbane, Australia.

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which provides for participation rights to be held by the participating councils to be negotiated between the councils. Somerset Regional Council holds 0.826% of the rights to participate in the profits of Urban Utilities. These rights held are recognised as investment assets as they represent a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow.

Notwithstanding that the Act does not permit the transfer of participation rights to another party (except by Ministerial approval), Council controls the investment in participation rights because it is entitled to the benefits of holding and realising the investment. Included in the definition of financial assets is any asset that is an investment in an associated entity.

The participation rights represent equity of the entity and accordingly the participation rights held by Council meets the definition of a financial asset. An investment in an associate is recognised and measured in accordance with the requirements of AASB 128 Investments in Associates and Joint Ventures. Although Council holds less than 1% of the participation rights of QUU, the operation of the participation agreement allows Council to exert significant influence over QUU because any three of the minority participants are potentially able to operate together to prevent a board appointment. Conversely any two minority participants together with Brisbane City Council are able to appoint board members to QUU. The Authority's Board is comprised of independent directors. No individual Council has the ability to dominate the Authority's decision making so as to obtain greater benefits from its activities than any other participant.

AASB 128 requires an investment in an associate to be accounted for using the equity method.

Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Council's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment. When the Council's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

As a party to the Participation Agreement, the council receives a proportional share of net profits as a participation return. Returns are paid from post-tax operating profits (after adjusting for capital receipts). The Authority operates under a tax equivalent regime; with all tax paid distributed to the participating Councils on a pro-rata basis to their participation rights.

Council held 8,000 shares in SEQ Regional Recreation Facilities Pty Ltd at year end. This company is not traded on an active market and the investment is valued at nil. The holding was initially recorded at cost (\$8,000) and subsequently fully impaired to a nil value.

14 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2020

Basis of measurement

Asset Values

Opening balance
Adoption of AASB 16 at 1 July 2019
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals *
Revaluation adjustment to the asset revaluation surplus
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and equipment	Right of use assets	Total completed assets	Work in progress	Total
Fair value	Fair value	Fair value	Cost	Cost		Cost	
2020	2020	2020	2020	2020	2020	2020	2020
(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
16,711	63,217	412,572	17,444	-	509,945	2,054	511,999
-	-	-	-	867	867	-	867
1,496	783	10,314	2,250	-	14,843	-	14,843
-	-	119	-	-	119	-	119
-	-	(1,618)	(1,102)	-	(2,721)	-	(2,721)
-	-	(1,263)	-	-	(1,263)	-	(1,263)
-	-	932	-	-	932	(932)	-
18,207	64,001	421,056	18,591	867	522,723	1,122	523,845

Accumulated Depreciation and Impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Internal transfers
Accumulated depreciation at period end

-	16,856	142,095	6,831	-	165,782	-	165,782
-	1,029	6,768	1,146	274	9,218	-	9,218
-	-	(944)	(819)	-	(1,563)	-	(1,563)
-	-	(1,052)	-	-	(1,052)	-	(1,052)
-	-	-	-	-	-	-	-
-	17,885	146,868	7,358	274	172,385	-	172,385
18,207	46,115	274,188	11,233	593	350,338	1,122	351,460

Book value at period end

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 18)
Revaluation adjustments to Income

-	-	(211)	-	-	(211)	-	(211)
-	-	(211)	-	-	(211)	-	(211)
-	-	-	-	-	-	-	-

Opening asset revaluation surplus (note 18)

Closing asset revaluation surplus (note 18)

8,303	17,896	38,084	-	-	64,282	-	64,282
8,303	17,896	37,872	-	-	64,071	-	64,071

Book value of assets disposed of (refer note 7)

-	-	(674)	(483)	-	(1,157)	-	(1,157)
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Additions comprise:

Renewals
Other additions
Total additions

-	748	9,258	-	-	10,004	-	10,004
1,496	38	1,056	2,250	-	4,840	-	4,840
1,496	783	10,314	2,250	-	14,843	-	14,843

14 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2019

Basis of measurement

Asset Values

Opening balance
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals
Revaluation adjustment to the asset revaluation surplus
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and equipment	Right of use assets	Total completed assets	Work in progress	Total
Fair value	Fair value	Fair value	Cost	Cost		Cost	
2019	2019	2019	2019	2019	2019	2019	2019
(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
17,087	63,619	394,806	16,765	-	492,277	1,215	493,491
311	105	11,074	1,802	-	13,291	840	14,131
-	-	403	-	-	403	-	403
(686)	(506)	(579)	(1,123)	-	(2,895)	-	(2,895)
-	-	6,869	-	-	6,869	-	6,869
-	-	-	-	-	-	-	-
16,711	63,217	412,572	17,444	-	509,945	2,054	511,999

Accumulated Depreciation and Impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Internal transfers
Accumulated depreciation at period end

-	16,092	132,796	6,317	-	155,205	-	155,205
-	1,151	6,587	1,134	-	8,872	-	8,872
-	(386)	(579)	(620)	-	(1,586)	-	(1,586)
-	-	3,290	-	-	3,290	-	3,290
-	-	-	-	-	-	-	-
-	16,856	142,095	6,831	-	165,782	-	165,782
16,711	46,361	270,477	10,613	-	344,163	2,054	346,217

Book value at period end

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 18)
Revaluation adjustments to Income

-	-	3,578	-	-	3,578	-	3,578
-	-	3,578	-	-	3,578	-	3,578
-	-	-	-	-	-	-	-
8,303	17,896	34,505	-	-	60,704	-	60,704
8,303	17,896	38,084	-	-	64,282	-	64,282
(686)	(120)	-	(503)	-	(1,309)	-	(1,309)

Opening asset revaluation surplus (note 18)

Closing asset revaluation surplus (note 18)

Book value of assets disposed of (refer note 7)

Additions comprise:

Renewals
Other additions
Total additions

-	-	8,865	-	-	8,865	-	8,865
311	105	2,209	1,802	-	4,426	840	5,266
311	105	11,074	1,802	-	13,291	840	14,131

14 PROPERTY, PLANT AND EQUIPMENT

14 Property, plant and equipment

Accounting policy matters

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Items of property, plant and equipment with a total value of less than the following thresholds are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Asset class	Capitalisation threshold
Land	\$ 1
Plant and equipment	\$ 5,000
Buildings and other structures, roads, bridges and drainage	\$ 10,000

(i) Acquisition of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(ii) Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

(iii) Valuation

Land and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement. 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 revaluation involves either the application of a suitable index to the cost elements of each asset or involves an assessment of the value by someone with requisite skills and qualifications. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

The frequency of valuation and the relationship of valuers to the council for each class property, plant and equipment is as follows:

Asset class	Basis of measurement	Date of last revaluation	Relationship between valuer and the council	Frequency of revaluation	Note
Land	Revaluation	1 July 2017	Independent registered valuer	Every 5 years	15
Buildings and other structures	Revaluation	1 July 2017	Independent registered valuer	Every 5 years	
Roads	Revaluation	30 June 2020	Suitably qualified council employee	Annually	
Right of use assets	Cost	Not applicable	Not applicable	Not applicable	
Plant and Equipment	Cost	Not applicable	Not applicable	Not applicable	

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, 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 relating to that asset class.

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

14 PROPERTY, PLANT AND EQUIPMENT

In the intervening years between valuations, Council monitors relevant indicators for changes in land and building and other structures values each year including reports by the Queensland Valuer-General and relevant producer price indexes issued by the Australian Bureau of Statistics for any indication that land and buildings and other structures may have increased materially in value. Council's assessment was that there was no indicator of material change. Council will obtain roughness index data on its sealed road network every three years in order to better inform the management of its road assets.

Plant and equipment is measured at depreciated cost.

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

(iv) Depreciation

Land is not depreciated as it has 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 that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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.

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

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

The depreciation methods, residual values and estimated useful lives of property, plant and equipment are reviewed end of each annual 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 useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown below:

Asset class	Range of Estimated Useful Life in Years	Depreciation method used
Land	Not depreciated	Not depreciated
Buildings and other structures	5 to 133	Straight line
Plant and equipment	3 to 50	Straight line
Right of use assets	3 to 5	Straight line
Roads	10 to 200	Straight line

(v) Impairment

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. 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.

(vi) Other property

Council holds immaterial assets that are held by lessees under operating leases.

These assets are incorporated in property, plant and equipment and are included in the "land" and "buildings and other assets" classes above. The assets are maintained on leases so that they can be used for Council owner occupier purposes in the future. It is considered that these assets do not meet the definition of investment property under AASB140.5 Investment Property. Lease amounts receivable are disclosed in Note 20 (a).

14 PROPERTY, PLANT AND EQUIPMENT

Fair Value Measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis: land, buildings and other structures and roads.

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

Level 1 - Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Fair value based on inputs that are directly or indirectly observable for the asset or liability

Level 3 - Fair value based on unobservable inputs for the asset and liability

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

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.

The table presents the Council's assets and liabilities measured and recognised at fair value at balance date.

As at 30 June 2020	Level 2 (\$ 000's)	Level 3 (\$ 000's)	Total (\$ 000's)
Land	18,207	-	18,207
Buildings and other structures	-	46,115	46,115
Roads	-	274,188	274,188
	<u>18,207</u>	<u>320,304</u>	<u>338,511</u>
As at 30 June 2019	Level 2 (\$ 000's)	Level 3 (\$ 000's)	Total (\$ 000's)
Land	16,711	-	16,711
Buildings and other structures	-	46,361	46,361
Roads	-	270,477	270,477
	<u>16,711</u>	<u>316,839</u>	<u>333,550</u>

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3. Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

Council's valuation policies and procedures are set by Council's Director Operations and Director Finance acting in consultation. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Specific valuation techniques used to value Council assets comprise:

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(i) Land (level 2)

Land was independently valued as at 1 July 2017 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management. Level 2 valuation inputs were used to value land in freehold title.

Reserve land does not have a value for the purpose of the financial statements of Somerset Regional Council. The valuer indicated that he determined land valuations based on relevant sales of land in the locality and that he had undertaken research of the various submarkets within the regional council area through the analysis of sales evidence and discussions with real estate agents. The valuer indicated that he had also taken into consideration the zoning and current use of council land and any characteristics of land which may adversely affect the usefulness of a lot including contamination, flooding history or probability of future flooding and drainage problems.

The valuer assumed for the purpose of the valuation that Council would not be required to liquidate any asset or undertake any land transactions on adverse terms. The valuer applied an approach to valuing land that considers the potential purchase costs of similar land in the same area.

(ii) Buildings and other structures (level 3)

Buildings and other structures was independently valued as at 1 July 2017 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management.

The valuer indicated that values were determined using a current replacement cost method of valuation and included consideration of obsolescence and impairment, actual construction costs by Somerset Regional Council and those of nearby recent projects completed by others, Rawlinsons Construction Guide or similar guides and other valuations.

The valuer considered asset condition and attributes of assets such as dimensions and materials through physical inspection of all assets valued. The valuer considered how these factors might impact on the assets' highest and best use to potential market participants. The valuer has assessed a residual value of nil for all buildings and other structures.

While the "abbreviated bill of quantity methodology" method produces valuations that can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The valuation's sensitivity to these inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Residual value	0%	The higher the residual value percentage, the higher the fair value
Estimated life	5 years to 133 years	The longer the estimated life, the higher the fair value
Estimated remaining life	1 year to 113 years	The longer the estimated remaining life, the higher the fair value

(iii) Roads (level 3)

All Council road infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) 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. There was 1,487 linear kilometres of constructed roads.

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 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.

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed roads, gravel roads, formed roads, other surfaces, underground drainage and paths. Roads are managed in segments of various length between logical geographic nodes. The segments average 811 metres in length. All road segments are then componentised into subgrade, base course/pavement, wearing course and intermediate course (where applicable).

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 for its construction type.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 300 mm.

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This class of asset incorporates drainage including 88 kilometres of underground drainage assets in mainly urban areas.

Council categorises its underground drainage assets by material including concrete and polyvinyl chloride (PVC) pipework and by size and depth.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each geographic area where underground drainage is located. Council also assumes that each segment of underground drainage is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC for underground drainage was calculated by reference to asset linear metres and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

This class of asset incorporates paths including 56 kilometres of sealed footpaths and cycleways in mainly urban areas and 25 kilometres of unsealed paths which are mainly within sections of disused rail corridor.

Council categorises its paths by material including concrete, bitumen and gravel and by width.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment of path. Council also assumes a segment of path is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC for paths was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that concrete pavements are constructed to a depth of 100mm using 25 Mpa reinforced concrete.

Road assets were valued by Council's employed Director Operations, Mr Craig Young (RPEQ no 12500). Road assets were valued as at 30 June 2020. Mr Young relied on dimensional, condition, costing and other data collected during the period to assess the values of road assets and their components.

Roads were valued at fair value being current replacement cost.

Replacement costs were assessed based on unit rates which were supported by the council's experience in carrying out its own road construction activities. During 2019/2020, Council obtained data in respect of the condition of its road assets. This data was used as a basis for assessing the condition of road assets at 30 June 2020 unless alternate information was available.

Council has collected and inspected imagery and pavement roughness data for all constructed road segments. A consumption assessment was undertaken based on the International Roughness Index (IRI) and observation and inspection of the assets. The measurements and inspection outcomes were used to provide an estimate of current asset health, the proportion of health remaining and the remaining useful lives of assets.

Engineering consultants Shepherd Services Pty Ltd were engaged to collect and report on sealed road condition data. Council's Asset Engineer Mr Ricky Chan (RPEQ(Civil) NER(Civil) CPEng MIEAust(Civil), PGCert(Geotechnical), BE(Civil)/BA UQld) reported that there were minor differences between the results of the 2018 and 2020 IRI data ranging between 0.2 and 1.

Mr Darren Shepherd RPEQ of Shepherd Services reported in 2018 and 2019 that 4.8% of the 809km sealed network exceeded an IRI of 6 which is considered reflective of failing pavement. Shepherd Services reported in 2018 that 7% of the unsealed network exceeded an IRI of 12 which potentially reflects failing unsealed pavement.

Remaining lives of assets were assessed based on both condition and year of construction.

Average current replacement costs (\$ per sqm of road area) for each of the key components were:

	2020		2019		Percentage increase
Pavement (sealed and unsealed roads)	\$ 27.750	per square metre	\$ 27.070	per square metre	2.51%
Bitumen seal (wearing course - 80%)	\$ 3.3179	per square metre	\$ 3.3179	per square metre	0.00%
Bitumen seal (wearing course - 20%)	\$ 0.8295	per square metre	\$ 0.8295	per square metre	0.00%
Bitumen seal (intermediate course)	\$ 4.1474	per square metre	\$ 4.1474	per square metre	0.00%
Subgrade	\$ 0.4070	per square metre	\$ 0.3970	per square metre	2.52%

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Average current replacement costs (\$ per linear metre of underground drainage) for key pipe types by material, diameter and class were:

	2020		2019		Percentage increase
Concrete - 1500mm diameter- class 2	\$ 1,757.70	per linear meter	\$ 1,757.70	per linear meter	0.00%
Concrete - 375mm diameter- class 2	\$ 242.00	per linear meter	\$ 242.00	per linear meter	0.00%
Concrete - 1800mm diameter- class 2	\$ 2,379.90	per linear meter	\$ 2,379.90	per linear meter	0.00%
Concrete - 1350mm diameter- class 2	\$ 1,473.70	per linear meter	\$ 1,473.70	per linear meter	0.00%
Concrete - 750mm diameter- class 2	\$ 615.90	per linear meter	\$ 615.90	per linear meter	0.00%
Concrete - 600mm diameter- class 2	\$ 397.50	per linear meter	\$ 397.50	per linear meter	0.00%

Unit rates applied for 2020 were greater than rates that applied for 2019 for asset components which are normally constructed using a high percentage of Council day labour. Unit rates applied for 2020 for asset components which are normally constructed using a high percentage of external labour and materials were largely unchanged on 2019. This was considered appropriate based on Council's recent experiences in road construction activities, Council's labour cost increases pursuant to relevant industrial instruments and by reference to Australian Bureau of Statistics producer price index 3101 road and bridge construction Queensland (A2333727L) for the year to 30 June 2020 which showed a reduction of 3.03% for the year.

There was an active market for bitumen road sealing during the year and unit rates used reflect those previously achieved by the council.

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

Road conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2019
Over 30% of the road requires reconstruction	1	20%	No change
10% to 30% of the road requires reconstruction	2	30%	No change
Less than 10% of the road requires reconstruction plus patching and surface correction	3	50%	No change
Minor patching and surface correction	4	70%	No change
No attention required	5	90%	No change

All of Council's underground drainage network is relatively new and is in excellent condition.

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

Underground drainage conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2019
Failed	1	90%	No change
Poor	2	70%	No change
Fair	3	30%	No change
Good	4	20%	No change
Excellent	5	0%	No change

Council's path network has an average age of 11 years and sealed paths have an average condition rating of 2.1 (good condition).

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In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. Path conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2019
Very good	1	90%	No change
Good	2	70%	No change
Fair	3	50%	No change
Poor	4	30%	No change
Very poor	5	20%	No change

As detailed above Council's road network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Estimated life	10 years to 200 years	The longer the estimated life, the higher the fair value
Estimated remaining life	1 year to 200 years	The longer the estimated remaining life, the higher the fair value
Condition rating	1 to 5 as above	The higher the condition rating, the higher the fair value
Standard construction unit rate per square metre (road)	\$0.4070 to \$27.75 as above	The higher the standard construction unit rate, the higher the fair value
Standard construction unit rate per linear metre (underground drainage)	\$242.00 to \$2,379.90 as above	The higher the standard construction unit rate, the higher the fair value

Council bridges were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) 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 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.

Council categorises its bridges into steel, concrete, timber and concrete/timber composite hydraulic structures. Council assumes that environmental factors such as soil type, climate and topography are consistent across each bridge. Council also assumes a bridge is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

Council's bridges and hydraulic structures were valued by Council's employed Director Operations, Mr Craig Young (RPEQ no 12500). Bridges were valued at fair value being current replacement cost as at 30 June 2020. Mr Young relied on dimensional, condition, costing and other data collected during the period to assess the values as at this date. Council's bridges primarily consist of either all timber structures, all concrete structures or composite structures that include both concrete and timber components. Replacement costs for these assets were assessed based on unit rates which reflected the council's experiences in constructing bridges. Condition data for bridges was obtained through regular inspection activities including taking core samples of major timber components and level two inspection reports prepared for Council by consulting engineers in respect of a number of bridges. Remaining lives of assets were assessed based on both condition and year of construction. No residual value was applied in respect of any bridge.

Average gross replacement costs (\$ per sqm of deck area) for major bridge types were:

	2020	2019	Percentage change
All concrete	\$ 5,890 per square metre	\$ 5,870 per square metre	-3.07%
Composite concrete and timber	\$ 2,500 per square metre	\$ 2,580 per square metre	-3.10%
All timber	\$ 1,980 per square metre	\$ 2,040 per square metre	-2.94%

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Unit rates applied for 2020 were lower compared to rates applied for 2019. This was considered appropriate based on Council's recent experiences in bridge construction activities and by reference to Australian Bureau of Statistics producer price index 3101 road and bridge construction Queensland (A2333727L) for the year to 30 June 2020 which showed a decrease of 3.03%. All bridges constructed during the reporting period were of all-concrete construction.

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

Conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2019
Timber or part-timber bridge with measured girder stress of 60 Mpa or greater	5	90%	No change
Timber or part-timber bridge with measured girder stress of between 40 Mpa and 60 Mpa	4	50%	No change
Timber or part-timber bridge with measured girder stress of between 30 Mpa and 40 Mpa	3	30%	No change
Timber or part-timber bridge with measured girder stress of between 20 Mpa and 30 Mpa	2	15%	No change
Good	1	5%	No change
All-concrete or part-concrete bridge requiring no maintenance	0	0%	No change

As detailed above Council's bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Estimated life	30 years to 100 years	The longer the estimated life, the higher the fair value
Estimated remaining life	0 years to 100 years	The longer the estimated remaining life, the higher the fair value
Condition rating	0 to 5 as above	The lower the condition rating, the higher the fair value
Standard construction unit rate per square metre of deck	\$1,980 to \$5,690 as above	The higher the standard construction unit rate, the higher the fair value

(vi) Plant and equipment

Plant and equipment are shown in the statements at historical cost less accumulated depreciation.

SOMERSET REGIONAL COUNCIL**Notes to the financial statements****For the year ended 30 June 2020****2020**
(\$ 000's)**2019**
(\$ 000's)**15. Leases and finance cost on leases**

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

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

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.

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

Terms and conditions of leases

Vehicles - Council leases sedans and utilities which are used for operational purposes, they generally have a lease term of between 3 and 5 years. The lease payments are generally fixed for the term of the lease.

Equipment - Council leases a number of items of office equipment which are considered low value and are therefore not subject to lease accounting. The items have lease terms ranging up to 3 years and fixed payments for the term of the leases.

Right of use assets

Please refer to the right of use asset class in note 14.

Lease liabilities

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

Remaining term	
Not later than 1 year	234
Later than 1 year, but not later than 2 years	142
Later than 2 years, but not later than 3 years	102
Later than 3 years, but not later than 4 years	81
Later than 4 years, but not later than 5 years	23
Later than 5 years	-
Total	<u>582</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

	2020 (\$ 000's)	2019 (\$ 000's)
Total per statement of financial position	<u>582</u>	

Amounts included in the statement of comprehensive income related to leases

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

Interest on lease liabilities (finance costs)	39
Depreciation of right of use assets	274
Expenses relating to low-value assets/ short-term leases	-
	<u>312</u>
Total cash outflows for leases	<u>323</u>

Leases at significantly below market value - Concessionary / peppercorn leases

Council has a small number of leases at significantly below market for land and buildings which are used for community purposes.

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

Council as a lessor

Council has a small number of low value operating leases in place as a lessor, mostly over land.

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.

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases. Rent from property is recognised as income on a periodic straight line basis over the lease term.

16. Trade and other payables

Current

Trade creditors	613	383
Sundry accruals	2,754	3,552
Prepaid rates	798	-
Other liabilities	8	10
Waste levy refund received in advance	-	965
Employee entitlements - annual leave	1,186	1,063
Employee entitlements - accrued hours	105	90
	<u>5,465</u>	<u>6,063</u>

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

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. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

No part of the employee entitlements for annual leave or accrued hours is considered to be non-current based on recent rates achieved in the taking of annual leave. As Council does not have an unconditional right to defer this liability beyond 12 months, annual leave is classified as a current liability.

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2020	2019
(\$ 000's)	(\$ 000's)

17. Provisions

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

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

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

A provision is made for future costs of restoration of gravel pits where it is probable the council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of roadside gravel pits. Management estimates that the restoration will occur in 2027.

The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration. Gravel pits are on State reserves which the council does not control. The cost of the provisions for restoration of these is therefore treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as an expense or income.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of their useful life. Landfills in Kilcoy and Jimna have closed and management estimates that restoration of these sites will occur over the next five years at a cost of \$2,632,435. Council has resolved an intention to replicate the existing regional landfill in Esk at the current site prior to the end of life of proposed cell stage 4. It is intended that the replicated landfill will be located adjacent to the current landfill and will use common leachate facilities, sediment ponds, drainage and other infrastructure to the current landfill. The current landfill is expected to require rehabilitation after 2032 at a cost of \$3,741,695 (in 2020 dollars).

Estimates have been prepared for Council by consulting engineers, ATC Williams Pty Ltd who also supplied guidance in respect of forecast cost index factors averaging 0.2% and discount rates averaging 0.44%.

Changes to the restoration provisions resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

Current

Long service leave

1,798	1,729
<u>1,798</u>	<u>1,729</u>

Non-Current

Long service leave

419	372
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	2020 (\$ 000's)	2019 (\$ 000's)
Restoration of refuse sites	6,233	6,875
Restoration of gravel pits	262	264
	<u>6,913</u>	<u>7,511</u>
Details of movements in provisions:		
Long service leave		
Balance at beginning of financial year	2,101	2,378
Long service leave entitlement arising	1,915	1,453
Long service leave entitlement paid	(1,798)	(1,729)
Balance at end of financial year	<u>2,218</u>	<u>2,101</u>
Restoration of gravel pits		
Balance at beginning of financial year	264	257
Increase/(decrease) in provision due to change in discount rate	(3)	7
Balance at end of financial year	<u>262</u>	<u>264</u>
This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful lives. The projected cost that is expected to be incurred in 2027 is:	<u>311</u>	<u>339</u>
Restoration of refuse sites		
Balance at beginning of financial year	6,875	7,029
Reduction due to unused provision amounts not required	(642)	(154)
Balance at end of financial year	<u>6,233</u>	<u>6,875</u>
This is the present value of the estimated cost of restoring the refuse sites to a usable state at the end of their useful lives. The projected cost that is expected to be incurred in 2032 is:	<u>6,384</u>	<u>9,844</u>
18. Asset revaluation surplus		
The asset revaluation surplus consists of the following components:		
Land	8,303	8,303
Buildings and other structures	17,896	17,896
Road assets	37,872	38,084
Balance of asset revaluation surplus (note 14)	<u>64,071</u>	<u>64,282</u>

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets. Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense. When an asset is disposed of the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and is not transferred to retained surplus.

The balance of the asset revaluation surplus is not available for distribution to any person because it is represented by non-current assets including infrastructure that is required to provide services to the community.

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19. Reserves

	Opening balance (\$ 000's)	Transfer from retained surplus for future expected expenditure (\$ 000's)	Transfers to retained surplus, amount expended in the period (\$ 000's)	Closing balance (\$ 000's)
2020				
A. Reserves held for future capital expenditure				
Asset replacement reserve	18,721	-	-	18,721
Constrained works reserve	2,164	112	-	2,275
Total reserves held for future capital expenditure	20,885	112	-	20,996
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	31,716	112	-	31,827
2019				
A. Reserves held for future capital expenditure				
Asset replacement reserve	18,721	-	-	18,721
Constrained works reserve	1,916	248	-	2,164
Total reserves held for future capital expenditure	20,637	248	-	20,885
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	31,468	248	-	31,716

The above reserves are cash backed reserves and represent funds that are accumulated within the council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

The Australian Accounting Standards Board "Framework for the Preparation and Presentation of Financial Statements" discusses the potential legal or other restrictions that may exist in some places in respect of cash backed reserves. There are no legal restrictions on the council in respect of funds identified as represented by cash backed reserves per se.

- The asset replacement reserve was created for replacement of non current assets.
- The constrained works reserve was created to ensure sufficient funds are available to carry out future capital works which the council is potentially obliged to perform together with non-binding commitments. It represents unspent infrastructure charges, capital grants and similar items.
- The land sales reserve was established to represent the sale proceeds of properties sold by Council.

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	2020 (\$ 000's)	2019 (\$ 000's)
20. Commitments and contracts		
(a) Operating leases where Council is lessor (revenue) Council leases commercial premises under operating leases. The minimum lease payments are as follows:		
Not later than 1 year	191	157
Later than 1 year, but not later than 2 years	181	72
Later than 2 years, but not later than 3 years	169	67
Later than 3 years, but not later than 4 years	136	54
Later than 4 years, but not later than 5 years	69	27
Later than 5 years	146	99
	<u>892</u>	<u>476</u>
(b) Operating lease commitments (expenditure) (2019 only)		
At the reporting date, the Council had the following minimum obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):		
Not later than 1 year		301
Later than 1 year, but not later than 5 years		430
Later than 5 years		-
		<u>731</u>
Operating lease expenditure incurred during 2019		<u>361</u>
(c) Contractual commitments – capital expenditure		
At the reporting date, the Council had the following obligations under contract and which have not been recognised as liabilities:		
Buildings	460	979
Plant and equipment	21	604
Infrastructure assets	439	1,393
	<u>921</u>	<u>2,976</u>
These expenditures are payable within the next 12 months.		

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21. Contingent Liabilities

Various claims may be made against Council in the ordinary course of its business activities.

After consulting legal advisers, Council considers that there are no claims against Council as at balance date that required a provision to be recognised or a contingent liability to be disclosed in the financial report.

Memberships of Insurance Schemes

Somerset Regional Council is a member of the local government 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.

	2020	2019
	(\$ 000's)	(\$ 000's)
The Council's maximum exposure is:	<u>513</u>	<u>447</u>

Somerset Regional Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being 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.

22. Executive remuneration

Disclosed remuneration under S 201 of the Local Government Act 2009 represents the total of:

1. Gross salary paid to relevant employees as detailed on the statements of earnings issued by Council for the income year.
2. Reportable superannuation contributions in favour of the relevant employees as detailed on the statements of earnings issued by Council for the income year to those employees.
3. Reportable fringe benefits provided to relevant employees at the value detailed on the statements of earnings issued by Council for the income year to those employees.

	2020	2019
	(\$ 000's)	(\$ 000's)
Total senior management remuneration as per statements of earnings:	<u>1,182</u>	<u>1,782</u>

The number of relevant employees was:

Employees with a total remuneration package in the range of \$0-\$99999	-	2
Employees with a total remuneration package in the range of \$100000-\$199999	6	6
Employees with a total remuneration package in the range of \$200000-\$299999	2	1
Employees with a total remuneration package in the range of \$300000-\$399999	-	1

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23. Related parties

Transactions with associates - please refer to note 13 (Urban Utilities)

(a) Transactions with key management personnel (KMP)

KMP include the mayor, councillors, the chief executive officer and directors. The compensation paid to KMP comprises:

	2020 (\$ 000's)	2019 (\$ 000's)
Short term employee benefits	1,129	1,427
Short term non-employee benefits	682	681
Post employment benefits	115	153
Long term benefits	24	46
Termination benefits	53	-
Total	2,003	2,307

Detailed remuneration disclosures of councillors are provided in the annual report.

(b) Transactions with other related parties

Other related parties include close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. These include a spouse, child, dependent, parent or sibling of a KMP.

Details of transactions between council and other related parties are disclosed below:

	2020 (\$ 000's)	2019 (\$ 000's)
Investment with Bendigo and Adelaide Bank Ltd - interest received	-	27
Council acquired a term deposit with Bendigo and Adelaide Bank Ltd at arm's length and in the normal course of operations. Cr Michael Ogg was formerly a director of Somerset Region Community Enterprises Limited which owns the Lowood Bendigo Bank branch as a franchise.		
Purchase of materials and services from entities controlled by key management personnel		
Purchases of concrete products from an entity that is controlled by close family members of Council's former Director Corporate and Community Services, Mr Chris Payne, at arm's length and in the normal course of council operations. Mr Payne ceased employment with Council in 2018/2019.	-	39
Purchases of civil contracting services from an entity that is controlled by close family members of Councillor Jason Wendt, at arm's length and in the normal course of council operations. Cr Wendt was first elected to Council in March 2020.	2,901	-
Purchases of air conditioning services from an entity that is part-controlled by Councillor Kylee Isidro, at arm's length and in the normal course of council operations. Cr Isidro was first elected to Council in March 2020.	10	-

(c) Outstanding balances

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

	2020 (\$ 000's)	2019 (\$ 000's)
Cash and cash equivalents	-	1,000
Receivables	-	-
Payables	43	-
Loans and guarantees	-	-
Commitments	-	-

The payable balance is for the purchase of civil contracting services from an entity that is controlled by close family members of Councillor Jason Wendt, at arm's length and in the normal course of council operations. Cr Wendt was first elected to Council in March 2020.

(d) 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 Somerset Regional Council area. Therefore on a regular basis ordinary citizen transactions occur between council and related parties including payment of rates and charges, dog registration and use of council facilities and services at the standard rates scheduled by council. Council also performs maintenance and construction work on public assets that are used by related parties as ordinary citizens. 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.

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	Note	2020 (\$ 000's)	2019 (\$ 000's)
24. Superannuation			
<p>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.</p> <p>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.</p> <p>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.</p> <p>Technically council can be liable to the scheme for a portion of another local government's 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.</p> <p>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." 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.</p> <p>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.</p> <p>The next triennial actuarial review is not due until 1 July 2021.</p> <p>The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:</p> <p>Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.</p> <p>Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.</p>			
Superannuation contributions made to the Regional Defined Benefits Fund		141	210
Other superannuation contributions for employees		1,439	1,370
Total superannuation contributions paid by Council for employees:		<u>1,580</u>	<u>1,580</u>
25. Reconciliation of net result attributable to Council to net cash inflows from operating activities			
Net result for year		2,984	9,692
Non-cash operating items:			
Contribution of non-monetary non-current assets at fair value	5	(119)	(403)
Changes in accounting policy	29	1,601	-
Share of the profit of associated entity accounted for using the equity method not adjusted for distributions received	13	(1,831)	(1,871)
Add back distributions received from the profits of associated entity	13	1,313	1,264
Depreciation	14	9,218	8,873
		<u>10,183</u>	<u>7,862</u>
Investing and financing activities			
Add back lease interest	15	39	-
Net (profit) loss on disposal of non current assets	7	781	(729)
		<u>819</u>	<u>(729)</u>
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(601)	(1,506)
(Increase) decrease in inventories		123	(3)
(Increase) decrease in contract assets		(728)	-
Increase (decrease) in provisions		(529)	(423)
Increase (decrease) in contract liabilities		2,217	-
Increase (decrease) in payables		(598)	2,130
		<u>(115)</u>	<u>199</u>
Net cash inflow from operating activities		<u>13,870</u>	<u>17,024</u>
26. Trust Funds			
Monies collected or held on behalf of another entity yet to be paid out to or on behalf of that entity		666	1,276

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the council. The council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

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27. Events after balance date

There were no material subsequent events after the balance date.

Council continues to monitor the impact of the COVID-19 pandemic on its operations and revenues. It is not possible to estimate the full impact of the outbreak's long-term effects or the Governments' varying efforts to combat the outbreak and support businesses. Therefore, we do not consider it practical to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Council.

28. Financial instruments

Somerset Regional Council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

The council minimises its exposure to financial risk on investments in the ways outlined in its investment policy.

Under this policy and applicable legislation, risk management strategies include:

- restrictions on what types of financial institutions and products council will invest in as outlined below.
- the council does not invest in derivatives or other high risk investments.
- when the council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

The Statutory Bodies Financial Arrangements Act 1982 regulates the council's investment activities.

The council's financial instruments consist mainly of at call deposits with banks, short-term deposit investments, accounts receivable and payables.

Council does not have material credit risk or liquidity risk as a result of its risk management strategies.

(a) Interest rate risk

The Council's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates and the weighted average interest rate by maturity periods is set out in the table below. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets and liabilities bearing variable interest rates. At 30 June 2020, Council has no fixed rate or variable rate borrowings and interest rate risk on borrowings is managed through the absence of borrowings. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Council has an investment policy which sets an objective to maximize earnings on cash investments within approved risk guidelines and to ensure the security of funds.

Interest rate risk relating to investments has been managed through the use of both Queensland Treasury Corporation (QTC) Cash Fund investments so that Council achieves Queensland State Government investment returns and through investment in term deposits with fixed interest rates where appropriate. Council does not undertake any hedging of interest rate risk.

In terms of Standard and Poor's ratings, all investments were A plus-rated products with A plus-rated institutions or better other than \$1 million which was invested in BBB plus-rated products or better through to certain qualifying banks with local branches.

As at 30 June 2020 all cash investments complied with the investment policy.

In assessing whether to invest in A plus-rated products other than Queensland Government investments, Council officers assess whether the investment product would have a more advantageous rate of interest available at the time, for that investment type, and in a way that is considered most appropriate given the circumstances.

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Council also holds an equity participant loan receivable with Urban Utilities with an interest rate described in note 12.

Actual cash and investment balances as at balance date were as follows:

	2020	2019
	(\$ 000's)	(\$ 000's)
Working cash, trust funds and cash on hand	2,516	937
A plus-rated products at A plus-rated financial institutions or better	1,000	41,000
QIC/QTC Pooled Cash Management Fund	75,014	37,512
Equity participant loan - Urban Utilities	13,804	13,804
Total	<u>92,333</u>	<u>93,253</u>

Interest rate risk has been measured using sensitivity analysis.

The sensitivity analysis used and described below is unchanged on the method reported in the financial statements for the year ended 30 June 2019.

If market interest rates increased or decreased by 1%, the net result attributable to the Council in respect of cash assets and cash equivalents would be increased or decreased as follows:

Interest rate risk sensitivity analysis	2020	2019
	(\$ 000's)	(\$ 000's)
Impact on carrying amount of 1% increase in market interest rates on financial assets	-	-
Impact on net result of 1% market interest rate increase on financial assets	783	807
Impact on equity of 1% market interest rate increase on financial assets	783	807

The above interest rate sensitivity analysis depicts the outcome to net result should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction. Because Council holds no interest bearing liabilities, there is no interest rate risk in respect of financial liabilities and no sensitivity analysis is required.

The above analysis does not include the equity participant loan with an interest rate setting mechanism described in note 12.

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Interest rate and maximum credit risk disclosures					
Financial Instrument	Floating Interest Rate (\$ 000's)	Fixed Interest Rate (\$ 000's)	Non- interest Bearing (\$ 000's)	Total (\$ 000's)	Weighted average effective interest rate %
As at 30 June 2020					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	240	240	0.00%
Cash assets and cash equivalents - 2	77,289	-	-	77,289	0.71%
Cash assets and cash equivalents - 3	-	1,000	-	1,000	1.60%
Receivables - 1	-	2,903	-	2,903	9.83%
Receivables - 2	-	-	3,662	3,662	0.00%
Investments	-	13,804	-	13,804	4.22%
Total financial assets	77,289	17,707	3,902	98,898	
Weighted average interest rate	0.71%	4.99%	0.00%	1.45%	
Financial liabilities					
Payables	-	-	5,465	5,465	0.00%
Lease liabilities	-	582	-	582	4.86%
Provisions	-	-	8,712	8,712	0.00%
Total financial liabilities	-	582	14,176	14,759	
	0.00%	4.86%	0.00%	0.19%	
Net financial assets	77,289	17,125	(10,274)	84,139	
Financial Instrument	Floating Interest Rate (\$ 000's)	Fixed Interest Rate (\$ 000's)	Non- interest Bearing (\$ 000's)	Total (\$ 000's)	Weighted average effective interest rate %
As at 30 June 2019					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	(1,226)	(1,226)	0.00%
Cash assets and cash equivalents - 2	39,676	-	-	39,676	2.19%
Cash assets and cash equivalents - 3	-	41,000	-	41,000	2.60%
Receivables - 1	-	2,545	-	2,545	11.00%
Receivables - 2	-	-	3,419	3,419	0.00%
Investments	-	13,804	-	13,804	4.56%
Total financial assets	39,676	57,349	2,192	99,217	
Weighted average interest rate	2.19%	3.45%	0.00%	2.87%	
Financial liabilities					
Payables	-	-	6,063	6,063	0.00%
Provisions	-	-	9,241	9,241	0.00%
Total financial liabilities	-	-	15,303	15,303	
	0.00%	0.00%	0.00%	0.00%	
Net financial assets	39,676	57,349	(13,111)	83,914	

(b) Net fair value

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

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29. Changes in accounting policy

During the year ended 30 June 2020, the Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP Entities and AASB 16 Leases using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations. All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019. The impacts of adopting these standards and associated transition disclosures are provided below:

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 modifications were minor.

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

Opening contract balances on transition at 1 July 2019	Balance at 1 July 2019 (\$ 000's)
Contract assets	
Under AASB 1058	1,726
Total contract assets	1,726
Contract liabilities	
Under AASB 1058	125
Total contract liabilities	125
Adjustment on initial application of AASB 15/ AASB 1058	1,601

All opening contract liabilities recognised on transition were recorded as revenue in 2019/2020. Typically contract liabilities relate to grants received in advance of the required works and these works are undertaken within 12 months of receipt. Typically contract assets relate to grants which are subsequently received within 12 months of required works being undertaken.

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

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

Statement of financial position at 30 June 2020	Carrying amount per Statement of Financial Position (\$ 000's)	Adjustments (\$ 000's)	Carrying amount if previous standards had been applied (\$ 000's)
Contract assets	728	(728)	-
Contract liabilities - current	(2,217)	2,217	-
Retained earnings	(367,771)	(1,490)	(369,261)
	(369,261)	-	(369,261)

Statement of comprehensive income for the year ended 30 June 2020	Balance per Statement of Comprehensive Income (\$ 000's)	Adjustments (\$ 000's)	Carrying amount if previous standards had been applied (\$ 000's)
Capital Revenue - Grants, subsidies, contributions and donations	5,105	516	5,621
Recurrent Revenue - Grants, subsidies, contributions and donations	4,542	974	5,516
	9,647	1,490	11,137

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 AASB1004.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2020

29. Changes in accounting policy

Statement of cash flows for the year ended 30 June 2020

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

Lease standard - AASB 16

Council as a lessee

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

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets and lease liabilities of \$582,000 at 1 July 2019 for leases previously classified as operating leases.

Operating lease commitment at 30 June 2019 per Council financial statements	(\$ 000's)
Discounted using the incremental borrowing rate at 1 July 2019	731
	(149)
Lease liabilities recognised at 1 July 2019	<u>582</u>

30. Inventories

	2020 (\$ 000's)	2019 (\$ 000's)
Inventories held for sale		
Land purchased for development and sale	177	177
Inventories held for distribution		
Stores, sundry and road making materials	358	481
Total current inventories	<u>535</u>	<u>658</u>

Inventories held for distribution are:

- goods to be supplied at no or nominal charge and
 - goods to be used for the provision of services at no or nominal, charge
- These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

SOMERSET REGIONAL COUNCIL

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 Regulation) and other prescribed requirements.

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

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

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



Cr Graeme Lehmann
Mayor

Date: 12 October 2020



Andrew Johnson
Chief Executive Officer

Date: 12 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Somerset Regional Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2020, and of its 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 statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement 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 the 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 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) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors 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 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 council.

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 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 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 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 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.

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.



Melissa Read
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Somerset Regional Council
Current-year financial sustainability statement
For the year ended 30 June 2020

Measures of financial sustainability

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

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	(3%)	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	128%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	(162%)	Not greater than 60%

Note 1 - Basis of Preparation

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

Certificate of Accuracy

For the year ended 30 June 2020

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

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



Cr Graeme Lehmann
Mayor

Date: 12 October 2020



Andrew Johnson
Chief Executive Officer

Date: 12 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Somerset Regional Council (the 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 Somerset Regional 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 Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors 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.



Melissa Read
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Somerset Regional Council
Long term financial sustainability statement
For the year ended 30 June 2020

Forecast measures of financial sustainability for future years

	Forecast	Target
Operating surplus ratio (Net result (excluding capital items) divided by total operating revenue (excluding capital items))		
FY2021	(2%)	Between 0% and 10%
FY2022	(3%)	Between 0% and 10%
FY2023	(2%)	Between 0% and 10%
FY2024	(1%)	Between 0% and 10%
FY2025	0%	Between 0% and 10%
FY2026	0%	Between 0% and 10%
FY2027	0%	Between 0% and 10%
FY2028	0%	Between 0% and 10%
FY2029	0%	Between 0% and 10%
FY2030	0%	Between 0% and 10%
Asset sustainability ratio (Capital expenditure on the replacement of assets (renewals) divided by depreciation expense)		
FY2021	102%	Greater than 90%
FY2022	103%	Greater than 90%
FY2023	92%	Greater than 90%
FY2024	86%	Greater than 90%
FY2025	88%	Greater than 90%
FY2026	99%	Greater than 90%
FY2027	101%	Greater than 90%
FY2028	82%	Greater than 90%
FY2029	97%	Greater than 90%
FY2030	67%	Greater than 90%
Net financial liabilities ratio (Total liabilities less current assets divided by total operating revenue (excluding capital items))		
FY2021	(50%)	Not greater than 60%
FY2022	(43%)	Not greater than 60%
FY2023	(42%)	Not greater than 60%
FY2024	(41%)	Not greater than 60%
FY2025	(39%)	Not greater than 60%
FY2026	(39%)	Not greater than 60%
FY2027	(38%)	Not greater than 60%
FY2028	(37%)	Not greater than 60%
FY2029	(36%)	Not greater than 60%
FY2030	(36%)	Not greater than 60%

Council's financial management strategy comprises its budget, financial forecasts, investment policy, debt policy, procurement policy, revenue policy, revenue statement and its long-term asset management plan.

The financial management strategy encompasses all the various actions that will result in the forecast measures of financial sustainability detailed above that were adopted by Council.

Council's financial management strategy is consistent with its corporate plan and operational plan.

Council's long term financial forecast demonstrates its financial sustainability by reference to the State Government's recommended targets.

Certificate of Accuracy

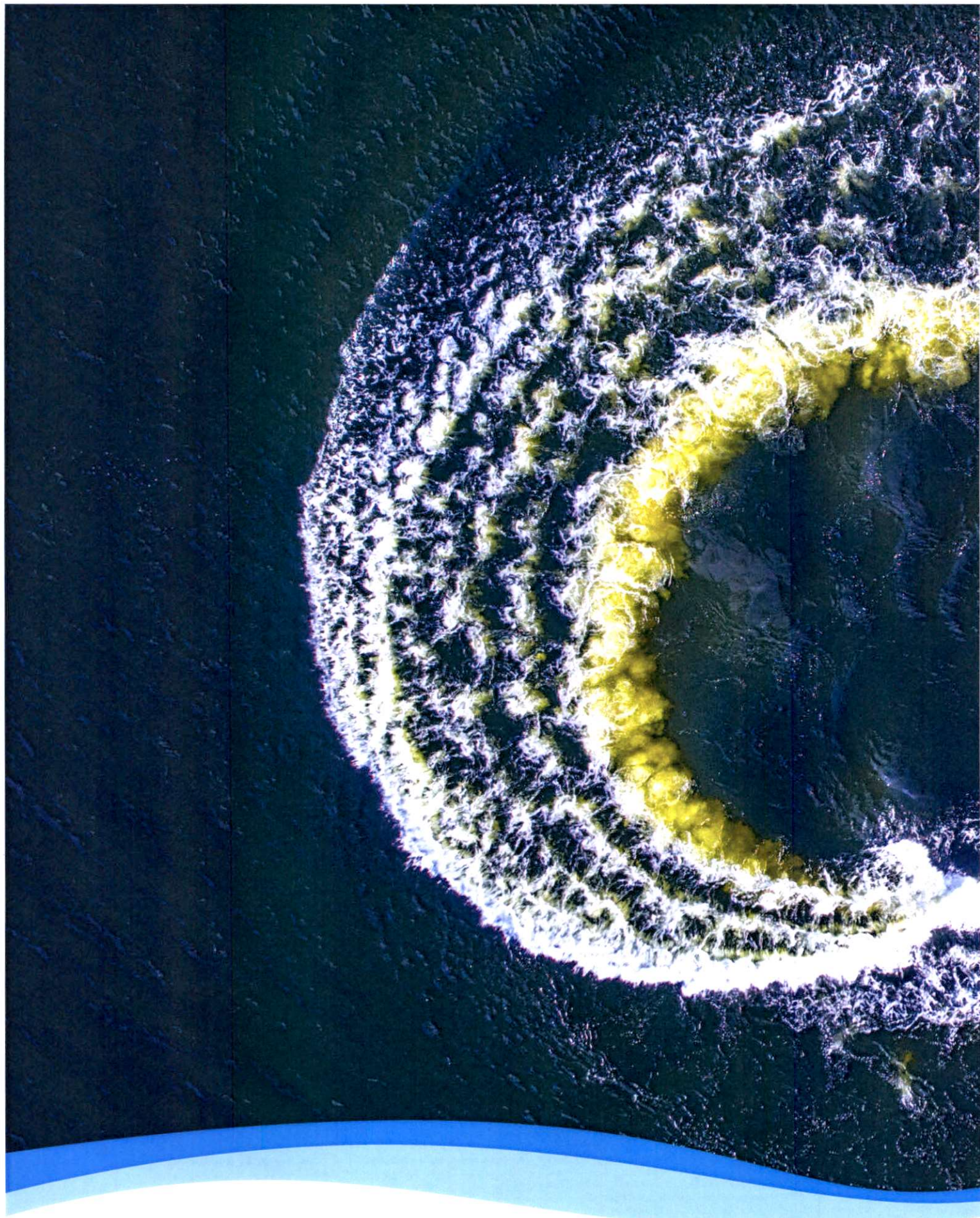
For the long-term financial sustainability statement prepared as at 30 June 2020

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.


Cr Graeme Lehmann
Mayor


Andrew Johnson
Chief Executive Officer



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