

From: Richard Koerner [REDACTED]
Sent: Wednesday, 18 September 2013 9:27 AM
To: Catherine Barker
Subject: Re: 2013-15 SEQ prices monitoring supplementary public submission
Attachments: Unitywaterreport1.pdf; Sunshinecoast water1.pdf

This email contains an attachment that may be work related and must be filed into the DMS. If you need assistance with this please contact the Executive Officer at [REDACTED]

The CEO
Queensland Competition Authority
Attn Ms. Catherine Barker

Dear Ms Barker,

I refer to submissions cited below and obligations under the Local Government Act and Financial Standard for SEQ councils to perform prices oversight of their commercial business entity subsidiaries providing monopoly water services.

Please now refer to financial information from the Annual Reports of the Sunshine Coast Regional Council (SCRC) for March 2008/09 and Unitywater for 2009/10 that are attached. It is noted that the CEO SCRC was an interim board member of Unitywater in 2009/10 and that a council's CEO has prime responsibility for regulatory prices oversight for monopoly service commercial business entities under provisions of the Local Government Act and Financial Standard.

The SCRC's financial information note 19 (pages 99-100) suggests revaluations of \$302 million were recorded for water infrastructure and \$425.3 million for sewerage infrastructure. However the "Infrastructure" note (page 101) states that all valuations were based on written down depreciated replacement cost (WDRC) as determined by consulting engineers. The WDRC for Sunshine Coast Water (SCW) as of June 2009 was determined to be \$1443.8 million. As the regulatory asset portion of WDRC is normally about 45% for Sunshine Coast council water entities, a regulatory asset base (RAB) of some \$650 million would be expected as of June 2009.

In the Unitywater Annual Report (page 35) the RAB attributed to SCRC as of June 2009 is stated to be \$919.9 million and was mandated by the Queensland Government. Correspondence from Unitywater already provided for consideration suggests that prices oversight responsibilities of SCRC were not performed to independently validate that \$919.9 valuation determination then rolled forward by Unitywater for subsequent MAR determinations including services pricing for 2013-15 annual budgets. TOR issued for the Authority's prices monitoring investigations for 2009/10 and later years specifically exclude independent investigation of RAB determinations.

Such significant accountability avoidance and governance failures suggest maladministration by senior officers of SCRC, the Board and senior officers of Unitywater, Queensland Treasury, the Department of Local Government and members of Parliament including misconduct by Ministers.

Kind regards,

Richard Koerner

ANNUAL REPORT 2009-2010



Unitywater

Looking after water. Looking after you.



Unitywater

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An electronic version of the report is also available on the Unitywater website
www.unitywater.com/Annual-Report-2009-10

Translating and interpreter assistance

Unitywater is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report and need an interpreter, you can contact the Translating and Interpreting Service (TIS National) phone 131450.

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Chairman and CEO Report

The decision to form the Northern Distribution-Retailer Authority (Unitywater) was made by the State Government on 18 July, 2009 as part of the South East Queensland water reform program. Unitywater commenced operations on 1 July, 2010 after establishing all the necessary systems to ensure continuity in the provision of water supply and sewerage services across the Sunshine Coast and Moreton Bay regions.

The establishment of Unitywater was achieved through a program of work that encompassed the development of its structure, policies, ICT systems, facilities and transitional training to enable the transfer of water and sewerage services associated staff and assets from the Moreton Bay and Sunshine Coast Regional Councils. The program delivered a head office capability and a new retail capability including billing, revenue assurance and customer service systems.

During this time, the governance of Unitywater transitioned from an Establishment Committee, representing the Moreton Bay and Sunshine Coast Regional Councils, to an Interim Board that was appointed by the two councils. A permanent Board was appointed just prior to 1 July, 2010.

Throughout this period, Unitywater has worked with industry and government agencies to ensure

that our establishment has met all the regulatory changes of the State Government's reform program. Additionally, we have worked closely with the community to create an awareness of the South East Queensland water reform initiatives and this new statutory authority.

The establishment of Unitywater has been complex in many respects, and we continue to face significant internal and external challenges in the immediate future. It is critical for us to continually improve our services to the community, finding cost and process efficiencies through economies of scale and operational consolidation, while continuing to meet the challenges of regional growth and environmental care.

Our staff continues to experience significant change that started in 2008 with the South East Queensland local government reform, and will continue until Unitywater reaches a state of operational excellence.

Unitywater, through the skills, knowledge and experience of its staff and the Board, embraces the challenges ahead and will strive to achieve its vision of becoming a sustainable, industry-leading community and customer oriented water and allied services business.



James Soorley
Chairman

31 August 2010



Jon Black
Chief Executive Officer

31 August 2010

Introduction

ABOUT UNITYWATER

This report

This is Unitywater's first annual report and covers its establishment phase to June 2010. During this period, the responsibility for the delivery of water supply and sewerage services remained with the Moreton Bay and Sunshine Coast Regional Councils. The 2009/2010 Unitywater annual report reflects the authority's achievements and performance during the establishment phase, as Unitywater began its journey towards becoming a fully operational statutory authority.

This report is prepared in accordance with the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997* and the *South East Queensland Water (Restructuring) Act 2007*.

Unitywater

Unitywater is a statutory authority responsible for water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers. We are one of three distributor-retailer water authorities established as a result of the Queensland Government's water reform program to serve different parts of South East Queensland (SEQ).

As a local authority, Unitywater is focused on serving the needs of the communities in the Moreton Bay and Sunshine Coast council regions. This report is integral to our customer service commitment, providing transparent reporting of our newly formed organisation.

Our vision

Unitywater's vision is to be a sustainable, industry-leading, community and customer oriented water and allied services business.

Our purpose

Unitywater exists to deliver water to customers and to collect, transport, treat and dispose of their sewage.

Our values

Our values describe what Unitywater stands for and the way it seeks to be viewed both internally by our people and externally by our customers and stakeholders. Our values are enduring and will drive our behaviours, defining our culture.

Safe

- We are committed to providing safe water supply and sewerage services.
- We are committed to an incident and injury free workplace.
- We carry out our daily tasks with safety as a priority.
- We recognise safety as a priority and as the responsibility of all staff in Unitywater.

Responsive

- We build solid relationships with each other and our stakeholders based on respect and integrity.
- We listen and respond to our customers' needs.
- We work cooperatively with our suppliers towards mutual benefit.
- We engage and meet the requirements of our regulators.
- We provide excellent service through clear communication.
- We create a culture based on growth and enjoyment.

Sustainable

- We promote a workplace where people are empowered and focus on continuous improvement.
- We are innovative in the delivery of our products and services.
- We make decisions that balance the best interests of the business, customers, staff, the environment and the community.
- We seek to understand and minimise our impact on the surrounding environment.



Our profile

ABOUT UNITYWATER

Who we are

The Northern SEQ Distributor-Retailer Authority, trading as Unitywater, was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* on Wednesday 4 November 2009. We operate in accordance with this Act and the *South-East Queensland Water (Distribution and Retail Restructuring) and Other Legislation Amendment Act 2010*.

We are an independent statutory authority combining the Moreton Bay and Sunshine Coast Regional Council's water businesses. Unitywater is directed by an independent board with a charter to provide water and sewerage services to the businesses and communities in the two council regions.

Unitywater is a party to the Northern SEQ Distributor-Retailer Authority Participation Agreement, which requires that we conduct our operations in accordance with government objectives. Our objectives, aligned to these requirements, are described further in this section.

Unitywater is one of three water distributor-retailers established by the Queensland Government in 2009/10 to serve different parts of South East Queensland (SEQ). Our primary function is to deliver water to customers and to collect, transport, treat and dispose of their sewage.

As a key participant in SEQ water grid, we work collaboratively with the bulk water, other distributor-retailer organisations and the SEQ Water Grid Manager.

Timeline of water reform

2007 MAY

The institutional reform for the water industry began when the Queensland Water Commission (QWC) presented its urban water supply arrangements in SEQ report to the State Government.

2007 NOV

South East Queensland Water (Restructuring) Act 2007 came into effect. Queensland Bulk Water Supply Authority (Seqwater), Queensland Bulk Water Transport Authority (LinkWater) and WaterSecure established.

2008 MAR - JUL

Bulk water assets of the SEQ councils transfer to the Queensland Bulk Water Supply Authority (Seqwater).

2009 JUL

Water distributor-retailer framework announced.

2010 JUL

Water distributor-retailers in SEQ Unitywater, Queensland Urban Utilities and Allconnex Water begin operations.



Our region and business



OFFICES

- Caboolture** - 33 King Street Head Office
- Brendale** - 27 South Pine Rd
- Maroochydore** - 8 - 10 Maud St



SEWAGE TREATMENT PLANTS

- South Caboolture** - 67 Weier Rd
- Bribie Island** - 106 -136 First Ave
- Burpengary East** - 601 Uhlmann Rd
- Woodford** - 28 Canando St
- Kenilworth** - Kenilworth Broloo Rd
- Cooroy** - 5 Mary River Rd
- Kawana** - Lot 101 Main Dr
- Landsborough** - Lot 10 Forestry Rd
- Maleny** - Lot 1 Maleny St
- Redcliffe** - Lot 18 Duffield Rd
- Murrumba Downs** - Lot 2 Bickle Rd
and recycled water facility
- Brendale** - 3/26 Cribb Rd
- Dayboro** - Lot 2 Strong Rd
- Maroochydore** - 38 Commercial Rd
- Nambour** - Lot 1 Bli Bli Rd
- Coolum** - Lot 2 Marsh Rd
- Sunshine coast** - Finland Rd Bli Bli



DEPOTS

- Petrie** - 13/2-20 Beeville Rd
- Margate** - 10/109 Duffield Rd
- Caloundra** - 204 Sugarbag Road
- Caloundra** - Industrial Avenue
- Maroochydore** - Wises Road
- Noosaville** - 183 Eumundi Road
- Kawana** - Tandem Avenue



Our profile

ABOUT UNITYWATER

What we do

We own the water distribution, sewage treatment and distribution infrastructure that was transferred from the Sunshine Coast and Moreton Bay Regional Councils.

We are responsible for:

- buying water from the Queensland Government's SEQ Water Grid Manager and delivering it to residents and businesses;
- collecting, transporting, treating and disposing of sewage;
- operating and maintaining water supply and sewerage infrastructure and assets, including water supply and sewerage reticulation networks and sewage treatment plants;
- providing a specialised recycled water service to a number of businesses;
- managing and issuing accounts for household and commercial water, sewage and trade waste services; and managing customer enquiries and other related services.

Our service area covers more than 5000 sq km with an estimated current population of 670,000 residents, representing approximately 21% of Queensland's total population.

This population is predicted to grow exponentially to 804,000 residents by 2016 and 1,024,000 residents by 2031, representing a 20% and 53% population growth respectively.

How we do business

Our objectives

Unitywater is evolving a forward-looking strategic plan that has a number of objectives to help achieve our vision.

1. Deliver a safe, reliable and value-for-money service to our customers.
2. Operate an effective, efficient and value-for-money integrated whole-of-region business.
3. Maintain a safe, empowered and motivated workforce.
4. Maximise shareholder value.
5. Develop new business opportunities.
6. Maintain and build effective partnerships and stakeholder relationships.

Unitywater's role in providing water services in a fast-growing region will challenge our business in terms of these broad objectives and, more specifically, in how we manage infrastructure growth, capital affordability, financial and asset sustainability while also maintaining a superior level of responsiveness to our customers.

Driving our success will be our highly skilled and motivated workforce and the systems and plans we have begun to put in place over our first eight months.

At a strategic level, this will involve establishing policies and plans around the development of our people, our infrastructure and our knowledge.

At a tactical level, this will also involve merging the operational elements of the previous Moreton Bay and Sunshine Coast areas into a single Operations Division to improve the efficiency and effectiveness of our services. Our Information Communication Technology (ICT) systems and our Retail Division will be further developed to operate completely independently from the former council systems that were transferred to enable operational readiness by 1 July, 2010.

2010-2011 will be a period of significant change, both for our people and for the communities we service. As such, we will need to be aware of and overcome the following challenges:

- customer response to bulk water charges and the water reform program;
- consolidation of water supply and sewerage services into a single division;
- consolidation of support operating systems across the authority;
- optimisation of the organisational structure;
- rejuvenation of an aging workforce and attraction of scarce water industry competencies;
- aligning strategic asset planning with growth drivers reflected in multiple unconsolidated town plans;
- water loss management; and
- separation of residual ICT systems from councils.

Where we operate from

■ Head office :

33 King Street,
Caboolture

■ 8-10 Maud Street,

Maroochydore

■ 27 South Pine Road,

Brendale

■ 67 Weier Road,

South Caboolture

In addition, Unitywater has seven depots across the Moreton Bay and Sunshine Coast regions that enable field staff to be efficiently deployed.



The year in review

ABOUT UNITYWATER

The road to 1 July 2010

Unitywater's establishment phase focused on delivering a well-planned and considered program of works to establish the new statutory authority. Twelve key objectives were developed to successfully establish Unitywater, including the business-critical objectives of continuity of service, billing and revenue management, achievement of statutory obligations, service level agreements and workforce retention. Successfully achieving these criteria required the development of the structure, policies, procedures, ICT systems, facilities and transitional training across all functions of the organisation.

The establishment program ensured that every critical operational area was business ready on 1 July, 2010 through a program of work that achieved the following objectives.

	OBJECTIVE	ACHIEVED
1	Identification of participant council staff and the recruitment of additional specialist staff required for the management of Unitywater from 1 July 2010.	✓
2	Development of the policies and procedures for the governance of Unitywater from 1 July 2010.	✓
3	The development of ICT systems to facilitate billing, payroll and reporting functions separate to those of the participant councils.	✓
4	The development of a new retail business including the marketing of the Unitywater brand and services.	✓
5	The establishment of Service Level Agreements (with the participant councils) and other contractual agreements to enable the operations of Unitywater from 1 July 2010.	✓
6	The occupation of permanent accommodation for the head office and the retail business.	✓
7	The preparation of change materials such as uniforms, signage and transition training.	✓
8	Recruitment and/or transfer of staff from participant councils in accordance with the Workforce Framework to allow operations from 1 July 2010.	✓
9	Legal transfer of assets.	✓
10	Induction of all Unitywater staff.	✓
11	Conduct of incident management training.	✓
12	Delivery of an internal and external Unitywater brand makeover.	✓

Major achievements

Establishing Unitywater in less than 12 months was a major achievement for the dedicated establishment program staff, and the scale of this achievement is demonstrated in the program highlights and achievements listed below:

- establishment of finance, workforce capability, regulatory and planning functions;
- establishment of corporate governance through the formation of an independent Board and management team, and the development of the necessary policies and procedures;
- transfer of over 800 council staff in accordance with the Workforce Framework;
- transfer of all water supply and sewerage services related obligations and assets;
- establishment of a new head office in Caboolture, including critical information systems and customer service capabilities;
- establishment of a Business Resilience Framework that links to the SEQ Water Grid Manager's Emergency Response Plan;
- development of a strategic risk framework and system to assist in prioritising capital expenditure;
- development of a new brand and visual identity as statutory authority responsible for water supply and sewerage services within our region;
- development of a detailed submission to the Queensland Competition Authority based on detailed financial modelling substantiating Unitywater price structures;
- establishment of separate water and sewerage-specific versions of the councils' enterprise information systems; and
- compliance with new and existing legislation.

The future

Unitywater became operational on 1 July 2010 and is establishing a path that will lead to optimum operational performance and customer service.

Our primary aim for our first eight months of operation was to achieve complete separation of the existing water business and support functions from the Sunshine Coast and Moreton Bay Regional Councils, while maintaining continuity of service and supply.

The consolidation and optimisation of Unitywater's operation will be delivered over two phases, as shown in Diagram 1.

Our development path

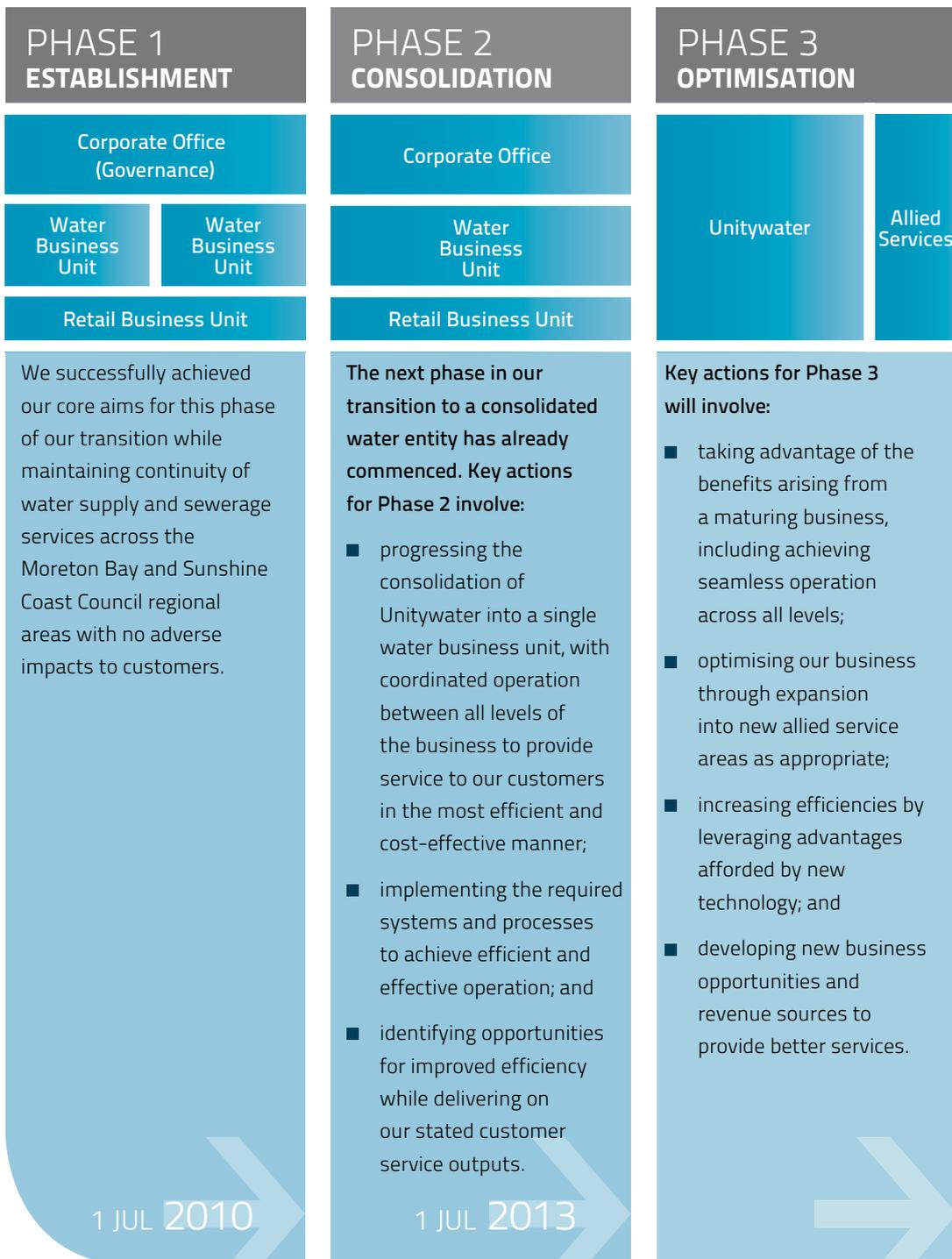


Diagram 1.

Summary of financial information 2009-10

ABOUT
UNITYWATER

2009-2010 was our establishment year and focused on putting in place the necessary plans, systems, processes and human resources to commence full operation from 1 July 2010.

As this was a set-up and establishment phase, no revenue was generated by our organisation in 2009-2010, as all water service billing during this period remained the responsibility of the Moreton Bay and Sunshine Coast Regional Councils.

Expenses were generated during this establishment phase to a total value of \$13,043,000. This expenditure delivered the following key outcomes to make us 'operation ready' by the end of the reporting period:

- establishment of a retail function, including transfer and testing of two billing systems, establishment of three customer service centres, two call centres, policies, processes, collateral and staff training;
- establishment of a corporate head office including all organisational support functions (finance and accounting, legal and governance, risk management, communications and marketing, information technology, procurement);
- development of the Unitywater brand, customer and community change communications; and
- transition of all council water business staff to Unitywater and establishment of payroll and other human resource support services.

Full financial statements for the period are provided at the end of this report.



Our business structure

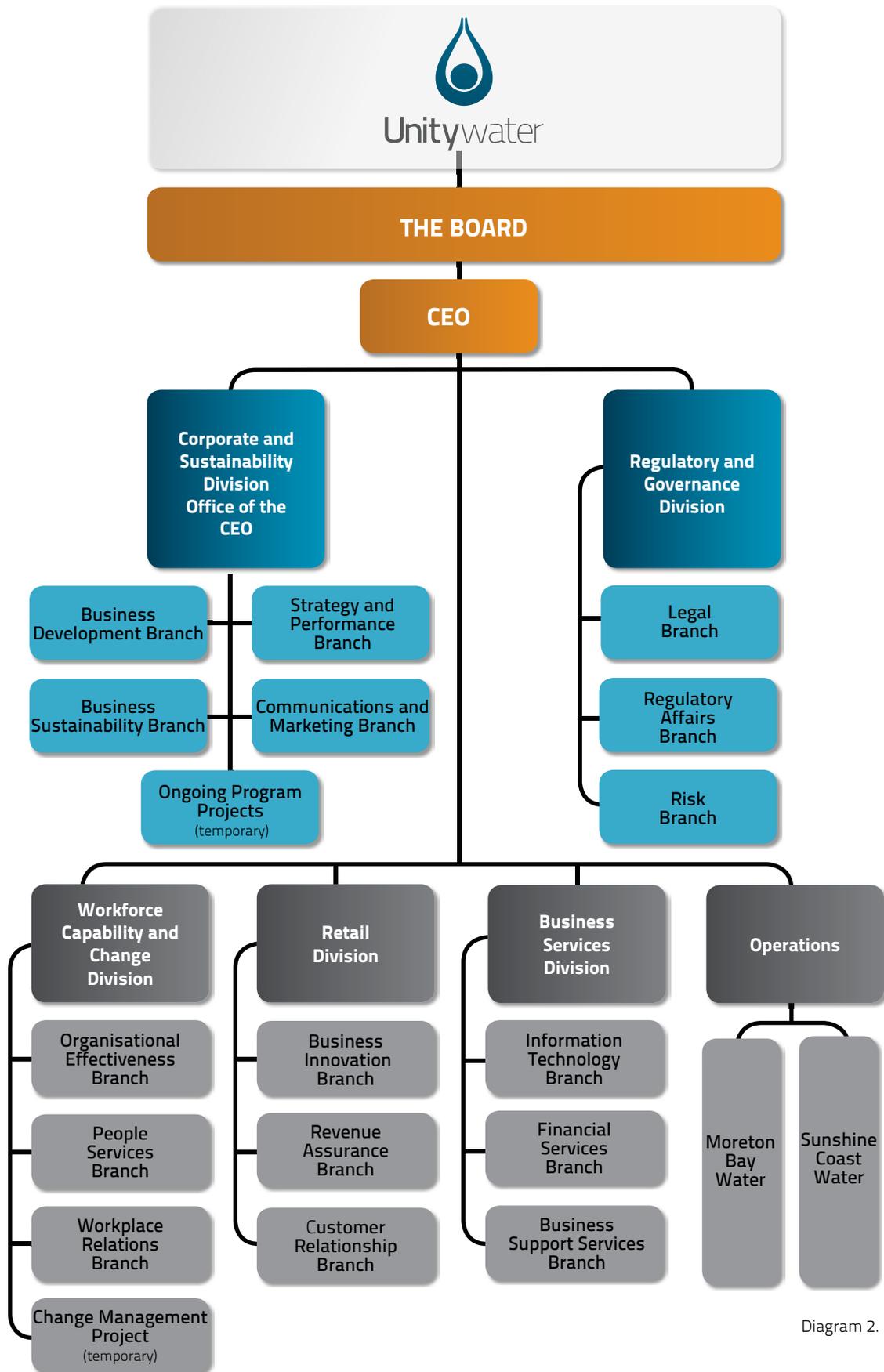
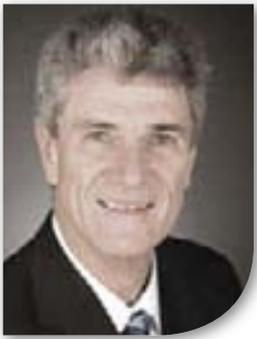


Diagram 2.

Diagram 2 details the business structure developed to commence operations on 1 July 2010.



John Rauber

John is the CEO of Moreton Bay Regional Council and was a director and member of the Executive Management Team of the former Pine Rivers Shire Council. John's career began in the private sector construction industry. He has more than 37 years' experience in local government, has trade and tertiary qualifications in the building and construction industry and a diploma from the Australian Institute of Company Directors.



John Knaggs

John is the CEO of the Sunshine Coast Regional Council. John is a seasoned professional in local government management and administration, and business change.



Jim Soorley

Jim was Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of \$1.6 billion and a workforce of 7,000. He was elected four times before stepping aside after 12 years. Jim lists changing Brisbane from a city with a 'country town' mentality into a vibrant urban metropolis, without compromising its liveability, as one of his greatest achievements.



Sharon Doyle

Sharon brings several years' experience in mergers, acquisitions, and strategic planning and integration management in the software and services industries.

Management structure

CORPORATE GOVERNANCE

Unitywater is a statutory authority combining the Moreton Bay and Sunshine Coast Regional Councils' water businesses. We were established under the South-East Queensland Water (*Distribution and Retail Restructuring*) Act 2009 and are governed by an independent Board.

We have a highly skilled and experienced Executive Management Team who provide direction on our day-to-day operations and a team of committed professional staff responsible for delivering services that support our organisational objectives and business imperatives.

Our board

Unitywater's establishment phase was initially overseen by an 'Establishment Committee' that comprised the Moreton Bay and Sunshine Coast Regional Councils' Mayors, Chief Executive Officers and Chief Financial Officers. The 'Establishment Committee' then appointed an Interim Board to oversee the ongoing establishment of Unitywater. The Interim Board consisted of:



Megan Houghton

Megan has more than 15 years' experience as a senior executive in the Australian energy and water industries in areas, including strategy development, and financial and economic performance, as well as spending four years as the head of strategy with Energex Retail.



Bob Thorn

Bob's career has focused on the development and growth of retail businesses in Australia, including David Jones and Super Cheap Australia, of which he was CEO for 14 years.



Michael Arnett

Michael has extensive board and management experience in energy and professional services organisations with significant experience in the corporate, commercial, mining and resources sectors.

A final Board was appointed on 25 June 2010 for the commencement of operations on 1 July 2010. The final Board consists of the members of the Interim Board with the exception of John Knaggs, Sunshine Coast Regional Council CEO, and John Rauber, Moreton Bay Regional Council CEO.



Board responsibilities

CORPORATE GOVERNANCE

The focus of the Interim Board in 2009-2010 was to oversee the development of effective and appropriate policies, practices and plans to guide the establishment and subsequent operation of Unitywater. This included:

- setting the strategic direction of Unitywater;
- ensuring Unitywater conducts itself in accordance with the acts it operates under and achieves the objectives set out in the Interim Agreement;
- reviewing and approving a strategic plan and operational establishment plan;
- ensuring Unitywater implements, monitors and reports at suitable intervals on the strategic and operational establishment plans;
- ensuring Unitywater's operational establishment plan and budget support the strategic plan;
- monitoring performance of Unitywater against appropriate performance indicators;
- approving delegations to the Chief Executive Officer and identifying those matters and policies reserved for approval by the Interim Board;
- reviewing the performance of the Chief Executive Officer;
- establishing and determining the powers and functions of Interim Board Committees;
- approving annual financial reports;
- acting as an interface between Unitywater and the participants (councils) ;
- approving all operational and capital expenditure outside the approved budget of Unitywater;
- monitoring corporate governance practices in Unitywater;
- cooperating with the Auditor General appointed under legislation to audit Unitywater's financial statements;
- appointing an Interim Board Secretary (Unitywater Secretary);
- developing a Participation Agreement in accordance with the act and securing the agreement of the participants' and the minister's approval;
- developing a transfer scheme in accordance with the act for the transition to Unitywater from the participants; and
- preparing Unitywater to undertake its primary functions under the act by 1 July 2010.

Board meeting attendance

The Interim Board met five times during 2009-2010.

Member	Meetings held	Meetings attended
John Rauber	5	5
John Knaggs	5	5
Jim Soorley	5	5
Sharon Doyle	5	5
Megan Houghton	5	4
Bob Thorn	5	5
Michael Arnett	5	5



Jon Black

Chief Executive Officer

Jon draws on 30 years of management experience to be the CEO of Unitywater and a Director of the Water Services Association of Australia. Prior to his appointments, Jon was the CEO of the now disbanded, whole-of-South East Queensland water and sewerage distribution business, as well as being the first Executive Director of The Council of Mayors in 2005. He also spent 25 years in the Army in command and management roles, including Director of Training Management.



Peter Scott

Chief Financial Officer/
Deputy CEO

Peter brings over 20 years of experience in strategic business growth and high-level budget development to the EMT from areas such as local and state government, as well as competitive water business. He has managed budgets in excess of \$3 billion, and led teams in excess of 900 staff



Judy Bailey

Executive Manager Retail

Judy has extensive executive management experience across diverse industries in major public and private sector environments. Responsible for managing budgets up to \$222 million, she has a successful track record in organisational strategy and change, business reform and the delivery of improved services to the community.



Gary Sabburg

Executive Manager,
Operations - North

Gary's 35 years' experience within the water supply and sewerage industry includes involvement in design, construction operations and maintenance activities for State and Local Government. Gary was instrumental in developing an industry alliance group 'Maroochy ExcelWater' to deliver a best practice service within Maroochy Water Services as well as external clients.

Our executive management team

CORPORATE GOVERNANCE

The Executive Management Team is Unitywater's senior leadership team, led by the Chief Executive Officer. The Executive Management Team supports the Chief Executive Officer in the leadership of the authority in daily operations and the achievement of the strategic plan approved by the Board.



Barry Holcroft

Executive Manager,
Operations - South

Barry's career spans 36 years in local government water businesses, including 22 years with Brisbane City Council, and 14 years with the former Pine Rivers Shire Council. Barry contributes to Unitywater a wealth of knowledge and experience in operations, maintenance, design, and construction and management of water supply and sewerage infrastructure.



Antoinette Carley

Executive Manager,
Regulatory and Governance

Antoinette oversees the regulatory, governance, risk management and compliance responsibilities of Unitywater. To contribute to the achievement of Unitywater's strategic objectives, she draws on extensive public and private sector experience in water reform, systems establishment, board development, infrastructure projects, commercial contracts and company directorship.



Glen Babington

Executive Manager
Corporate and Sustainability

Glen Babington became involved in the SEQ water industry through the formation of the SEQ Distribution Entity and Queensland Urban Utilities before joining Unitywater. He has a background in leading large field-based organisations in defence and mining along with strategic planning and marketing experience in the aerospace industry.

Executive remuneration

During the establishment phase of Unitywater, only three executives were employed by Unitywater, noting that a number of council executives were seconded and contractors engaged for specific pieces of executive work.

The remuneration of executives employed by Unitywater was banded as follows:

\$150,000 - \$199,999	1
\$200,000 - \$249,999	1
\$250,000 - \$299,999	1
TOTAL	3



Risk management and accountability

CORPORATE GOVERNANCE

The review and management of risk within Unitywater is undertaken at the Board level through the Risk and Audit Committee that has the following objectives:

- reporting financial information;
- applying accounting policies;
- financial management;
- internal control systems (including internal audit and assurance);
- risk management;
- industrial relations;
- workplace health and safety; and
- compliance with applicable laws and regulatory requirements.

The Audit and Risk Committee comprises:

- Michael Arnett (Chair),
- Megan Houghton,
- Sharon Doyle, and
- Bob Thorn.

Strategic and operational risks are assigned to, and actively managed by, the members of our Executive Management Team and Board. Our risk dashboard, a highly effective reporting tool that provides a snapshot of organisational risk, is regularly reviewed by the Executive Management Team and the Board's Risk and Audit Committee.

During 2009-2010

we achieved the following:

- establishment of a business-wide risk management framework;
- development of management and reporting tools, including risk registers and risk reporting protocols to be applied across the entire organisation;
- the identification of key strategic risks for treatment;
- establishment and implementation of a staff induction program and Code of Conduct training to meet the requirements of the *Public Sector Ethics Act 1994*; and
- commencement of the procurement process for internal audit services.

At the time of preparing this report, Unitywater was in a tender process for the provision of internal audit services that will include the audit of transitional and integration processes to date.

In addition, while the organisation adheres to the *Whistleblowers Protection Act 1994*, no instances or disclosures were required to be made to the minister's office for the reporting period.



Our workforce

CORPORATE GOVERNANCE

Workforce establishment

Unitywater was created through the merger of the water businesses of Moreton Bay and Sunshine Coast Regional Councils. As such, our establishment phase workforce was staffed by people seconded from these councils and by contractors and consultants where specific resource or skills requirements were identified.

Thirteen employees transferred from these councils prior to 30 June 2010 to provide payroll and administrative functions required for the commencement of operations on 1 July 2010.

Thirty-six council employees were seconded to Unitywater during the period 2 November 2009 to 30 June 2010 (a total of 35.8 FTE). A further 55 contractors and consultants provided services to complete the required program of work.

Unitywater made no redundancy, early retirement or retrenchment payments for this reporting period.

Retention and turnover

We are a newly formed authority and are working towards becoming an employer of choice through our approach to our staff.

Over the coming year, we will develop and formalise policies aimed at achieving a sustainable work/life balance for our workforce.

We will also look at the training needs of our staff and develop policies and programs around the ongoing development of our team at all levels of the organisation.

Consultancies

Unitywater engaged consultants for specific projects and activities that could not be provided by the councils.

The total cost of consultancies for the establishment period to 30 June 2010 was \$1,569,757.

This was broken down across the following categories:

Category	Summary	Value
Business Services	Pricing, policy and systems development.	\$522,036
ICT	Systems review and implementation.	\$223,122
Legal, regulatory and governance	Risk management and organisational direction.	\$176,006
Office of the CEO	Office establishment and probity services.	\$55,818
Operations	Establishment of new Development Application Process.	\$36,900
Program management office	Development of a business resilience framework and incident response rehearsals.	\$92,200
Retail	Billing process development and monitoring.	\$407,965
Workforce capability	Policy development and system evaluation.	\$55,710
TOTAL		\$1,569,757

Overseas travel

There was no expenditure on overseas travel in the 2009-10 reporting year.

Planning framework

The Workforce Capability and Change Division was developed during this period to:

- proactively partner with the councils to ensure an effective transition of staff to Unitywater, ensuring that staff retention was maximised;
- ensure staff were involved in, supported through and engaged in the change process and were clear about their employment arrangements;
- ensure the employee lifecycle processes, policies, systems, decisions and resources were in place for commencement of the new business without disruption to service provision to the community and compliant with legislative requirements;
- leverage existing councils' capabilities, business processes, body of knowledge, systems and workforce talent; and
- build a platform that would provide the foundation for Unitywater to be recognised as an employer of choice.



Information systems and recordkeeping

CORPORATE GOVERNANCE

As a newly established statutory authority, Unitywater is embarking on a progressive approach to the implementation of a recordkeeping environment that is fully compliant with the provisions of Information Standard 40.

Our Documents and Records Management Policy directs that the organisation 'makes and keeps full and accurate records' and recordkeeping obligations and arrangements have been communicated to staff members during our establishment phase.

We have taken the following steps to ensure the safe custody and preservation of our records:

- 'Records access agreements' established with both Moreton Bay and Sunshine Coast Regional Councils;

- an obligation for compliance with Unitywater records management requirements is a standard component of external service provider contracts established by Unitywater; and
- a contract has been let with a commercial records storage provider for the off-site storage of inactive Unitywater records.

The effectiveness of our processes to date will be measured through an initial 'records management usage audit' in 2011.



Northern SEQ Distributor - Retailer Authority
trading as **Unitywater**

Financial Statements
for the period
3 November 2009 to 30 June 2010

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Financial Statements — June 2010

Northern SEQ Distributor - Retailer Authority Trading as Unitywater

General Information

The Northern SEQ Distributor-Retailer Authority (NSDRA) trading as Unitywater is a statutory body established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act)*. The NSDRA was established to provide water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers from 1 July 2010.

The history behind this is as follows:

- On 18 July 2009, the Queensland Government agreed to the SEQ Council of Mayors' proposal to establish three integrated water retail/distribution businesses in the SEQ region.
- In September 2009, the CEOs of the Moreton Bay Regional Council (MBRC) and the Sunshine Coast Regional Council (SCRC) signed a Heads of Agreement to facilitate the formation of the NSDRA trading as Unitywater.
- On 3 October 2009 the Queensland State Government assented to the South-East Queensland (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act), enabling the establishment of the new water entities.
- The two other water entities and their participating councils in the SEQ region are:
 - a. Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities: Brisbane City, Ipswich City, Lockyer Valley, Scenic Rim and Somerset Regional Councils; and
 - b. Southern SEQ Distributor-Retailer Authority trading as Allconnex: Gold Coast City, Logan City, and Redlands Councils.

The NSDRA is controlled by an independent board on behalf of its two participating councils; Moreton Bay Regional Council and Sunshine Coast Regional Council.

The NSDRA expires at the end of 99 years from when it was established on 3 November 2009. On expiry, the assets and liabilities of the NSDRA will revert to the participating Councils.

These financial statements are for the period from 3 November 2009 to 30 June 2010. During this time, the NSDRA executed Phase One of its Five Year Plan. This was to establish the entity's operational capability in order to receive and operate the water businesses of the two participator councils which transferred to it on 1 July, 2010. This was done under a project management regime with focus on the governance framework and the quality and performance frameworks to enable the entity to operate as a responsible and accountable authority. The onus during this time was to ensure continuity of service and a seamless transition for customers on 1 July.

The head office and principal place of business of the NSDRA is:

**Ground Floor,
33 King Street,
Caboolture QLD, 4510.**

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Statement of Comprehensive Income

for the period ended 30 June 2010

	Notes	2010 \$'000
Income		
Total income	4	-
Expenses		
Supplies and services	5	12,989
Other expenses	6	54
Total expenses		13,043
Loss		(13,043)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2010

	Notes	2010 \$'000
Current asset		
Cash and cash equivalents	2f	-
Trade and other receivables	8	697
Other	9	57
Total current assets		754
Non-current assets		
Property, plant and equipment	7	2,160
Total non-current assets		2,160
Total assets		2,914
Current liabilities		
Trade and other payables	10	(15,957)
Total current liabilities		(15,957)
Total liabilities		(15,957)
Net assets		(13,043)
Equity		
Accumulated surplus/(deficit)		(13,043)
Total equity		(13,043)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the period ended 30 June 2010

	Accumulated Profit /(Loss) 2010 \$'000
Balance at 3 November 2009	-
Loss	(13,043)
Loss for the period	(13,043)
Balance at 30 June 2010	(13,043)

The accompanying notes form part of these financial statements.

Financial Statements — June 2010

Notes to and forming part of the financial statements

1. Report Authority

The Northern SEQ Distributor-Retailer Authority (NSDRA) trading as Unitywater is a Queensland Statutory Body established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act)*. The Restructuring Act specifically states that seven other Acts apply to the NSDRA; most notably in relation to these Financial Statements, the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangement Act 1982*.

The Restructuring Act states that the NSDRA's functions are to do the following in its geographic area on and from 1 July 2010:

- purchase water from the water grid manager,
- distribute water and provide water and sewerage services to its customers,
- charge customers for those services and manage customer enquiries, service requests and complaints,
- perform functions under this act and the Water Supply Act relating to trade waste as a sewerage service provider,
- perform particular planning and development assessment functions under the Planning Act,
- anything else likely to complement or enhance a function mentioned above,
- any other business or function that the NSDRA considers appropriate.

The NSDRA expires at the end of 99 years from when it was established on 3 November 2009.

On expiry the Restructuring Act states that:

'the participants become the successor in law of the assets and liabilities rateably in accordance with their participation rights under the distributor-retailer's participation agreement'

The NSDRA is primarily involved in the distribution and retail of water and provides water and sewerage services to customers in the local government areas of the Moreton Bay and Sunshine Coast Regional Councils.

The NSDRA's first reporting period is the 3 November 2009 to 30 June 2010. As this is the first reporting period, no comparatives have been reported.

2. Significant accounting policies

a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared for the period 3 November 2009 to 30 June 2010 in accordance with:

- applicable Australian Accounting Standards (AAS) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB);
- the *Financial and Performance Management Standard 2009*;
- Queensland Treasury's Financial Reporting Requirements for Queensland Government agencies; and
- other authoritative pronouncements.

b) Date of authorisation

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

c) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs.

d) Presentation currency and comparatives

The financial statements are presented in Australian dollars, which is the NSDRA's functional currency. Amounts included in the financial statements have been rounded to the nearest \$1,000 unless disclosure of the full amount is specifically required.

e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Uncertainty exists as to the valuation of assets that will be transferred by participating councils as disclosed in note 13.

FINANCIAL STATEMENTS

f) Cash and cash equivalents

During this period of establishment, the NSDRA had no bank accounts nor held any cash. One of its participator Councils; Moreton Bay Regional Council; paid all debts on the NSDRA's behalf which were then recharged to the NSDRA via an invoice to be paid after 1 July 2010.

As NSDRA has no cash holdings at period-end a Cash Flow Statement has not been prepared.

g) Taxation

Income of the NSDRA is exempt from any taxation liability except for Fringe Benefits Tax, Payroll Tax and GST. The net amount of GST refundable from the Australian Tax Office is shown as an asset in these financial statements.

The NSDRA will be a participant in the Local Government Tax Equivalent Regime from 1 July 2010. As a result an "equivalent" or "notional" income tax liability is payable to Moreton Bay and Sunshine Coast Regional Councils as participants of the NSDRA.

During the period ended 30 June 2010 \$13,043K of tax losses were recognised as it is considered probable that future taxable profits will be generated against which the tax losses could be utilised.

h) Property, plant and equipment

Assets under construction (work in progress) are carried at cost and not depreciated until they reach service delivery.

i) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are

measured at the agreed purchase /contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

j) Going concern

Although these financial statements disclose a loss and there is no cash held by the NSDRA for the period, these statements have been prepared on a going concern basis. This is because these financial statements are reporting the costs incurred in order to establish the entity ready for it to operationally commence on 1 July 2010.

The participating Councils have funded the establishment costs and will be reimbursed by the NSDRA drawing down working capital debt from the participating Councils; Moreton Bay Regional Council and Sunshine Coast Regional Council; after 1 July 2010.

k) Employee benefits

Under the Restructuring Act's Workforce Framework, employees will transition from the existing Councils as at 1 July 2010. At 30 June 2010, there is no liability for employee benefits. Refer to Note 13 for details of post balance sheet events.

l) Contingent liabilities

There are no known contingent liabilities.

m) New and revised Accounting Standards

The authority did not voluntarily change any of its accounting policies during 2009-10. Those new and amended Australian accounting standards that were applicable for the first time in the 2009-10 financial year and that had a significant impact on the department's financial statements are as follows.

3. Financial risk management

Overview

The NSDRA's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk, interest rate risk and operational risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Exposure to financial risks is managed in accordance with the NSDRA's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the NSDRA. The NSDRA measures risk exposure using a variety of methods on left:

RISK EXPOSURE
Credit Risk
Liquidity risk
Interest rate risk
MEASUREMENT METHOD
Ageing analysis
Maturity analysis
Sensitivity analysis

Financial Statements — June 2010

Credit risk

Credit risk exposure refers to the situation where the NSDRA may incur a financial loss as a result of another party to a financial instrument failing to discharge their obligations. The NSDRA has concentration of credit risk from receivables due from its customers.

The NSDRA will be exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments will be held with highly rated and regulated financial institutions, and while not capital guaranteed the likelihood of a credit failure is remote.

Liquidity risk

Liquidity risk refers to the situation where the NSDRA may encounter difficulty in meeting obligations associated with financial liabilities. The NSDRA is exposed to liquidity risk through its trading in the normal course of business and borrowings from the QTC for asset acquisitions and capital works and from Moreton Bay and Sunshine Coast Regional Councils for its working capital requirements. The NSDRA will manage its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Market risk

The NSDRA will not trade in foreign currency and will not be materially exposed to commodity price ranges. The NSDRA will be exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. The NSDRA will manage that part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC.

Interest rate risk

The NSDRA will be exposed to interest rate risk through its borrowings and investment with QTC and cash deposited in interest bearing accounts. The risk in borrowing is effectively managed by borrowing from financial institutions, which provide access to floating funding sources so the desired interest rate risk exposure can be constructed.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the NSDRA's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks will arise from all the NSDRA's operations.

The NSDRA objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the NSDRA's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall NSDRA's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Training and professional development
- Risk mitigation, including insurance where this is effective.

Interest rate risk in other areas is mitigated.

Capital management

The NSDRA was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*. The participating local governments for the NSDRA are the Moreton Bay Regional Council and Sunshine Coast Regional Council.

On 24 March 2010 the Minister for Natural Resources, Mines and Energy and Minister for Trade have advised the participating local governments on the approved initial Regulatory Asset Base for the NSDRA as at 1 July 2008, and they are as follows:

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	\$000
Moreton Bay Regional Council	1,110,017
Sunshine Coast Regional Council	919,853
	2,029,870

The participating councils are required by the act to enter into an agreement (a participation agreement). The participation agreement specifies the participants' rights to participate in a distribution of profits of the NSDRA in proportion to the percentage set out next to the participants name in the Register of Participation Rights. Section 43 of the Act requires that the distributor-retailer must not distribute any of its profits unless the distribution has been approved in the way provided for under its participation agreement.

During the period from 15 March to 15 April in each financial year the NSDRA must give to the participants:

- (i) an estimate of the NSDRA's net profit for the financial year; and
- (ii) the amount of the Participation Return to be paid for the financial year, including the amount payable for different participation rights.

Distribution of profit in 2010 is Nil.

4. Income

During the period to which these statements relate, the NSDRA was not operating in its capacity of water services provider. It was establishing the necessary business functions in order to receive and operate the water businesses of the two participator councils which transferred to it on 1 July 2010. There was, therefore, no revenue to report in these statements.

5. Supplies and services

	2010 \$000
Consultants and contractors	6,072
Materials and services	6,917
	12,989

6. Other expenses

	2010 \$000
External audit fees	40
Other	14
	54

7. Property, plant and equipment

All expenditure is for work in progress where items of a capital nature have been started in order to make the entity operationally ready for 1 July 2010. Work in progress is measured at cost.

8. Trade and other receivables

Current	
GST receivable	697
GST payable	-
Total	697

Financial Statements — June 2010

9. Other current assets

Prepayments	57
Total	57

10. Trade and other payables

Current	
Trade creditors	7,668
Share of Interim Entity's Establishment costs	5,815
Other	2,474
Total	15,957

11. Auditor's remuneration

These financial statements are subject to an external audit by the Queensland Audit Office. Fees for this period are \$40,000.

12. Board remuneration

During the period covered by these financial statements, an interim Board was appointed. The Board members who were paid or were due to be paid by the NSDRA were:

Jim Soorley, Chairman

Sharon Doyle

Megan Houghton

Bob Thorn

Michael Arnett

The total amount paid as Board remuneration was \$114,668.

13. Events after reporting period

The Queensland Water Commission's report to the Queensland Government on the Urban Water Supply Arrangement in South East Queensland proposed a range of structural and regulatory reforms for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

As part of the Queensland Government's ongoing restructure of the Urban Water Supply Arrangements, the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Act) established three new statutory bodies, on 3 November 2009. Transfer of the control of water distribution and sewerage

infrastructure from existing local government water businesses to these entities occurred on 1 July 2010. The new entities comprise:

- Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities)
- Northern SEQ Distributor-Retailer Authority (trading as Unitywater)
- Southern SEQ Distributor-Retailer Authority (trading as Allconnex Water)

Under the act, governance arrangements for the new authority were established in a Participation Agreement, which is operative from 25 June, 2010.

The councils' total contribution to the authority has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government to represent the market value of the business. This valuation was prepared to underpin the water pricing methodology currently under review by the Queensland Competition Authority. Each council's portion of this total is based on its participation rights, comprising debt and participation rights as agreed by the councils and the authority.

Indicative participation rights held by the Participating Councils in the Northern SEQ Distributor Retailer - Authority are:

Moreton Bay Regional Council	58.9%
Sunshine Coast Regional Council	41.1%

In addition to the transfer of physical assets, the Participating Councils provided loans (45% of the contribution) to the authority under a separate loan agreement. The loans

FINANCIAL STATEMENTS

are subject to a fixed interest rate of 6.6723% (25% of the contribution) and 7.5125% (20% of the contribution) with quarterly interest-only payments for three years. Following these payments, the terms will be renegotiated.

Participation returns will be paid from post-tax operating profits (after adjusting for capital receipts).

The authority will operate under a tax equivalent regime, with all tax paid being distributed to the Participating Councils on a pro-rata basis to its participation rights. Tax is to be payable quarterly based on a percentage of the authority's gross revenue until its first tax assessment.

Pursuant to a transfer notice gazetted on 29 June, 2010, assets, liabilities, instruments and employees associated with Councils' water distribution and sewerage operations were transferred to the Northern SEQ Distributor-Retailer Authority on 1 July 2010 and form part of the authority's opening Statement of Financial Position for RAB. The indicative amount for this is \$2,443,269,000 at the time of producing these statements. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for

water pricing purposes. As the arrangements for the transfer were not finalised at the time of this financial report, a significant uncertainty exists in relation to the assets and liabilities being transferred and the likely impact on the valuation and classification of the authority's assets and liabilities from 1 July 2010.

A Second Transfer Scheme is to be provided to the minister for approval. Final participation rights held by each Participating Council in the Northern SEQ Distributor Retailer - Authority will be finalised following the completion of the Second Transfer Scheme.

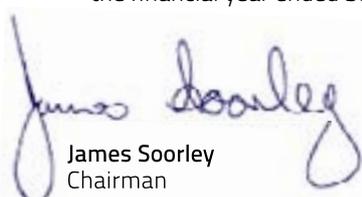
It is the intention of the Participating Councils to disclose the fair value of the assets, in their financial statements at 30 June 2010, for those that are transferring on 1 July 2010, at depreciated replacement cost. This value is not the same as the RAB on which the participation rights have been determined.

Costs incurred by the Participating Councils for the establishment of the Authority are the subject of a claim from the authority. The nature of the eligible costs to be included in the claim is dependent on approval by the appropriate minister.

Certificate of Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009 (the Act)*, relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62 (1) (b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Northern SEQ Distributor-Retailer Authority for the financial year ended 30 June 2010 and of the financial position at the end of that year.



James Soorley
Chairman

31 August 2010



Jon Black
Chief Executive Officer

31 August 2010



Peter Scott
Chief Financial Officer

31 August 2010

Independent Auditor's Report

To the Board of the Northern SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of the Northern SEQ Distributor-Retailer Authority which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

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

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

Auditor's Opinion

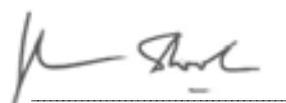
In accordance with s.40 of the
Auditor-General Act 2009 -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010 and of the financial position as at the end of that period.

Emphasis of Matter -

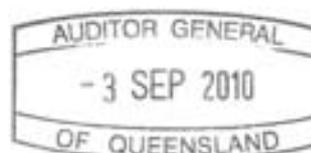
Significant Uncertainty regarding the value of asset transfers on 1 July 2010.

Without qualification to the opinion expressed above, attention is drawn to Note 13 to the financial statements. On 1 July 2010, the Authority became responsible for the delivery of water and wastewater services to customers within the local government areas of the two Participating Councils: Moreton Bay and Sunshine Coast. On this date each participating council transferred assets necessary for the authority to operate this business. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for water pricing purposes which may not equate to asset valuations for accounting purposes. As the accounting valuation methodology has not been finalised at the time of this financial report, a significant uncertainty exists in relation to the value of the assets being transferred and the likely impact on the valuation and classification of the authority's assets from 1 July, 2010.



G G POOLE FCPA

Auditor-General of Queensland



Queensland Audit Office
Brisbane

Independent Auditor's Report

To the Board of the Northern SEQ Distributor-Retailer Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Northern SEQ Distributor-Retailer Authority for the period ended 30 June 2010 included on the Northern SEQ Distributor-Retailer Authority's website. The Board is responsible for the integrity of the Northern SEQ Distributor-Retailer Authority's website. I have not been engaged to report on the integrity of the Northern SEQ Distributor-Retailer Authority's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Northern SEQ Distributor-Retailer Authority, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Northern SEQ Distributor-Retailer Authority which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting

Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

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

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

Auditor's Opinion

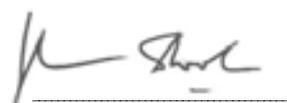
In accordance with s.40 of the Auditor-General Act 2009-

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010 and of the financial position as at the end of that period.

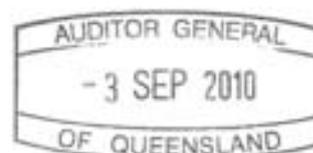
Emphasis of Matter -

Significant Uncertainty regarding the value of asset transfers on 1 July 2010.

Without qualification to the opinion expressed above, attention is drawn to Note 13 to the financial statements. On 1 July, 2010, the Authority became responsible for the delivery of water and wastewater services to customers within the local government areas of the two Participating Councils: Moreton Bay and Sunshine Coast. On this date each participating council transferred assets necessary for the authority to operate this business. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for water pricing purposes, which may not equate to asset valuations for accounting purposes. As the accounting valuation methodology has not been finalised at the time of this financial report, a significant uncertainty exists in relation to the value of the assets being transferred and the likely impact on the valuation and classification of the authority's assets from 1 July, 2010.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

Glossary

Term	Meaning
Establishment Committee	The Establishment Committee comprised the Moreton Bay and Sunshine Coast Regional Councils' Mayors, Chief Executive Officers and Chief Financial Officers.
Establishment program	The period of Unitywater's establishment from November 2009 to 30 June 2010.
Distributor-retailer	The term that describes Unitywater's two core business functions in managing the distribution networks and providing water supply and sewerage service retailing (customer service, billing).
ICT	Information Communications Technology
NSDRA	Northern SEQ Distributor - Retailer Authority.
Participation Agreement	Sets out the rights of the participant councils and obligations of Unitywater to those councils.
Sewerage	Sewerage means a sewer, access chamber, vent, engine, pump, structure, machinery, outfall or other work used to receive, store, transport or treat sewage.
SEQ	South East Queensland
Service Level Agreement	A service contract where the level of service is formally defined.
Workforce Framework	A document negotiated by the Council of Mayors SEQ (on behalf of the SEQ local governments) and unions that protects employment terms and conditions for employees affected by water reform changes.
Water supply	The transportation of potable water through Unitywater's infrastructure to residents and businesses.



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100% Recycled - This paper is made entirely from post-consumer waste (making it a 'true' recycled grade), and is produced in a unique 'closed loop' production process ensuring that all bi-products are reused and recycled.



ISO 14001 - The International Standards Organisation specifying the requirements of an environmental management system.



EMAS -The EU Eco-Management and Audit Scheme is a management tool for companies and other organisations to evaluate, report and improve their environmental performance.

Financial Information

Finance Standard Disclosures

	\$,000
Overseas Travel	12
Expenditure on Consultancy	15,831
Expenditure on Entertainment/Hospitality	581
Expenditure on Advertising	2,640
Grants to Community Organisations	5,408

Overseas Travel - Detail

Name & Position	Destination	Purpose of Travel	Council Cost (\$)
Doug Barnes Coordinator Waste Collection Services	Papua New Guinea	Alotou Ausaid Project	
Terry Reason Manager Information Technology North	Papua New Guinea	Alotou Ausaid Project	
Leigh Green IT Support Officer	Papua New Guinea	Alotou Ausaid Project	7,200
David Clark Strategy Development Project Manager	New Zealand	Waste Manangement	1,000
Anna Ashton Cultural & Communities Venue Manager	New Zealand	Venue Management Conference	700
David Hopper Senior Economic Development Officer - Tourism	New Zealand	Tourism Trade Show & Sales Mission	2,900

COUNCIL POLICY STATEMENT

TITLE: Councillors' Expenses Reimbursement and Provision of Facilities

Policy Number: 4
Meeting Date: 19 June 2008
Meeting Reference: OM08/57
Responsible Department: Governance

POLICY PURPOSE:

- To ensure compliance with statutory requirements and community expectations relating to the payment or reimbursement of legitimate expenses and the provision of facilities for the Sunshine Coast Regional Council Councillors while carrying out their duties and responsibilities.
- To ensure that Councillors have the facilities and support necessary to perform their civic duties as elected representatives of their local communities.

POLICY SCOPE:

The payment and/or reimbursement of expenses and the provision of facilities for Councillors must only be for the actual cost of legitimate business use and in accordance with the *Local Government Act 1993* (the Act) and the *Guidelines for Councils: Reimbursement of Expenses and Provision of Facilities for Mayors and Councillors* (the Guidelines) as issued by the Queensland Department of Local Government Sport and Recreation (the Department).

Councillors should not be financially disadvantaged when carrying out the requirements of the role of Councillor and should be fairly and reasonably compensated in accordance with statutory requirements and community expectations.

The payment and/or reimbursement of expenses and provision of facilities for Councillors:

- is to be open and transparent, prudent, responsible, acceptable to the community and in accordance with statutory requirements;
- based on ensuring economy and efficiency; and
- subject to budget provisions.

Council must give public notice of the expenses reimbursement policy by publishing a public notice about the policy after it has been adopted. The public notice must be published in a newspaper circulating in the local government area as soon as practicable after adopting the expenses reimbursement policy.

Council's annual report must contain a copy of the policy and a copy of any resolution made during the year authorising payment of expenses or provision of facilities to Councillors. Council's annual report must also contain particulars about the expenses that were reimbursed, and the facilities that were provided to Councillors.

Councillors incurring expenses should not gain personal funds as a result of their role serving the community. All reimbursement of expenses or provision of facilities must be for legitimate business use only, that is, to enable Councillors to effectively and efficiently carry out their civic duties. Facilities and resources provided to Councillors by Council are for the sole use of Councillors in undertaking their duties and must be used responsibly and appropriately. Spouses, partners and family members of Councillors are not entitled to reimbursement of expenses or to have access to facilities allocated to Councillors.

Failure to comply with this policy or misappropriation of expenses or facilities may be a breach of the Councillor Code of Conduct and/or an offence under the *Criminal Code 1899*.

POLICY STATEMENT/DETAILS:

1. EXPENSES

The following expenses refer to actual expenses deemed necessary for Council business.

Councillors are only entitled to payment/reimbursement for the expenses contained in the categories listed below.

1.1 Council business

Where Councillors are attending to Council business such as meetings, functions or other activities in an official capacity, Council will pay for the approved expenses associated with that activity.

1.1.1 Representing Council at events and conferences

Councillors may be required to attend a range of events and functions as part of their role in attending to Council business. Councillors may, for example, be required to attend significant sporting and other community events in an official capacity.

Where Council resolves that a Councillor is required to attend an event or conference as a delegate of Council, Council will pay for expenses associated with attending that event.

Council or the Mayor may approve attendance at regional and national conferences where it is considered appropriate to represent the Sunshine Coast for local government purposes.

Attendance at International conference must be approved by Council.

1.2. Professional development

The payment of expenses for professional development requires Council approval.

1.2.1 Mandatory training

Councillors must attend training where Council resolves that all Councillors or a class of Councillors (e.g. newly elected Councillors) are to attend training courses workshops, seminars or conference for skill development related to a Councillor's role. Council will meet all costs.

Examples of mandatory training include but are not limited to, training for Councillor induction, code of conduct, meeting procedures and legislative obligations.

1.2.2 Discretionary training

A Councillor can attend a conference, workshop or training that has been identified as relevant to their role (other than mandatory training as outlined above). The Chief Executive Officer (or delegate) may approve such training.

The funding limit for discretionary training is \$5,000 for each Councillor during their four (4) year term in office.

1.3. Travel costs

Councillors may incur travel costs for a number of reasons including attendance at council meetings, conferences, training or workshops.

In general, the most cost effective form of travel must be used.

1.4. Accommodation

When attending conferences, Councillors must take advantage of any package provided by conference organisers and therefore, stay in the recommended accommodation unless prior approval has been granted by Council. In all other cases, the Chief Executive Officer (or delegate) must decide what are legitimate accommodation costs for the purpose of reimbursement.

Councillors may receive up to \$20.00 per day to cover incidental costs incurred while travelling and staying away from home overnight.

1.5. Meals

Councillors may claim for the reimbursement of each actual cost per meal when travelling for business related purposes.

Alternatively, Councillors may be paid a daily meal allowance of:

- Breakfast \$19.60
- Lunch \$20.05
- Dinner \$34.55

1.6. Hospitality expenses

Where Councillors incur hospitality expenses while conducting Council business, apart from official civic receptions organised by the Council, the maximum amount that may be reimbursed is:

- \$500.00 per annum for each Councillor; and
- \$6,000.00 per annum for the Mayor.

Hospitality expenses related to official receptions and other functions organised by council officers are met from relevant approved budgets.

1.7. Cab Charge and public transport

Councillors may claim for cab charge facilities or reimbursement for public transport tickets (rail, bus, ferry) to attend official Council functions only.

An approved function includes any function approved pursuant to sections 1.1 and 1.2. above.

2. FACILITIES

Facilities provided for Councillors must be deemed necessary and required to assist Councillors in their official capacity. In accordance with statutory provisions, Council may only provide Councillors with the facilities listed below.

All facilities provided to Councillors remain the property of Council and must be accounted for during annual equipment audits. The facilities must be returned to Council when the Councillor's term expires, unless Council agrees to dispose of the facility in some other manner.

2.1. Administrative tools and council office amenities

2.1.1. Office space and access to meeting rooms

Council provides office accommodation and access to meeting rooms for Councillors.

The standard of Councillor office accommodation is as approved by the Chief Executive Officer, but will generally consist of a desk, file/book storage and chairs. In general, rooms provided for Councillor use will be located at council owned or controlled premises such as libraries, community centres or branch offices.

2.1.2. Secretarial/Administrative support

Council will provide administrative support for Councillors.

Councillors located in each office are provided with Councillor Support Staff employed under Council's usual terms and conditions of employment. Relief staff will be provided where practical and shall be subject to budgetary and operational constraints.

2.1.3. Computer for business use

Councillors are provided with a desktop or a laptop computer for Council business use at the Councillor's office.

Where a Councillor is provided with a desktop computer at the Councillor's office, Council will approve a desktop computer for the Councillor's home office if required.

Where a Councillor is provided with a laptop computer, Council will provide a docking station and monitor for the Councillor's office and the Councillor's home office if required.

The standard of computer shall be similar to that available to council managers, including provision of wireless/remote access to Council's information technology system.

2.1.4. Land Line (Councillor Offices)

Councillors are provided with a council landline telephone and internet access for business use.

2.1.5. Fax and/or scanner (Councillor Offices)

Councillors are provided with a shared facsimile and scanner for business use at the Councillor's office.

2.1.6. Printer, photocopier, paper shredder (Councillor Offices)

Councillors are entitled to a printer, paper shredder and shared photocopier for business use at the Councillor's office.

Councillors will be entitled to a printer at the Councillor's home office if required. The standard of printer will be similar to that available to council managers.

2.1.7 Stationery

Councillors are provided with Council stationery for official purposes only. Council stationery (such as letterhead) is not to be converted or modified in any way and may only be used for carrying out the functions of the role of Councillor.

Stationery does not include any form of advertising or promotional material produced by council.

2.1.8. Publications

Councillors are provided with copies of relevant legislation, books and journals considered necessary for undertaking their duties. Where possible, these items will be provided in electronic format.

2.1.9 Other administrative necessities

Subject to Council approval, Councillors may be provided with any other administrative necessities to meet the business of Council.

2.1.10. Advertising

Council will not reimburse or provide funds, services or facilities for the purposes of advertising for Councillors.

2.1.11 Community consultation

Councillors may use facilities provided to correspond with community representatives for the purpose of clarifying issues that are relevant to their division or the Region in general.

Where a Councillor chooses to undertake further community consultation on a particular matter, in addition to that approved by Council, the Councillor is responsible for those costs.

2.2. Home office

Councillors may be provided with home office equipment comprising a computer, or laptop docking stations, facsimile machine, printer and internet access for business use only.

For home office telecommunication needs, including internet, refer to Section 2.6.

2.3. Maintenance costs of any Council owned equipment

Council will cover all ongoing maintenance costs associated with council owned equipment to ensure it is operating for optimal professional use.

2.4. Safety Equipment

Councillors will be provided with any safety equipment such as overalls, safety helmets or glasses, as required, in their role.

2.5. Vehicles, fuel and parking

Councillors will be provided with a Council owned vehicle for official business, with access to private use of that vehicle being subject to reimbursement to council for expenses (see below) associated with the private use of the vehicle.

- (1) The expense for private use shall be calculated such that the contribution by the Councillor will be either:
 - 50% of the Fringe Benefits Tax (FBT) that would be applicable for the vehicle, calculated annually; or
 - based on the average private use over a 3 month period substantiated by log book details provided by the Councillor.

Councillors must advise the CEO of which contribution method they choose.

- (2) Vehicles provided will be in accordance with Council's fleet management practices and will be purchased or leased ensuring a low carbon footprint. All vehicles are to be approved by the CEO or their delegate.
- (3) All fuel and maintenance costs will be paid by Council.
- (4) Council will provide parking facilities for Councillors at their base office locations. Council will provide parking facilities for all Councillors at council buildings for the purpose of committee and Ordinary Council meetings.

2.6. Telecommunication needs

Councillors will be provided with a mobile telephone or a hand held PDA palm pilot device (e.g. Blackberry).

Council will pay for all costs associated with the business use. Any personal calls made by the Councillor must be reimbursed to Council. In this context, Council acknowledges that, in principle, it will accept prima facie 5% of the total call charges for a mobile telephone being considered as personal calls and therefore subject to reimbursement to the Council by a Councillor. This principle is subject to review, on a case by case basis should it become evident to the Chief Executive Officer that 5% is reasonably insufficient to cover the actual personal calls for any specific telephone account.

Alternatively, a Councillor may elect to undertake a detailed review of each monthly telephone account and provide reimbursement to Council for the actual amount incurred for private use.

Council will pay for the cost of home internet access for business use only.

2.7. Legal costs and insurance cover

Council may decide, pursuant to s240 of the *Local Government Act 1993*, to cover costs incurred through any inquiry, investigation, hearing or legal proceedings into the conduct of a Councillor, or arising out of, or in connection with the Councillor's performance of his/her civic functions.

Councillors will be covered under Council insurance policies while discharging civic duties. Specifically, insurance cover will be provided for public liability, professional indemnity, Councillor's liability, personal accident and/or workers compensation, international and domestic travel insurance.

DEFINITIONS:

'Council business' means official business conducted on behalf of, and/or approved by Council, where a Councillor is required to undertake certain tasks to satisfy legislative requirements or achieve business continuity for the Council. Council business should result in a benefit being achieved either for Council, the local government area or the community.

Council business includes functions that are a statutory requirement of the Councillor's role or are officially recorded in minutes or other public records. This might also include, attending an event or function to perform official duties or as an official council representative, such as -

- ceremonial openings of buildings or facilities;
- fetes and carnivals;
- annual or presentation dinners;
- public meetings;
- private meetings arranged through official council channels (i.e. documented in official records or diary) for the purpose of conducting bona fide discussions of business of council; and
- any other meeting, event or function described in s239 of the *Local Government Act 1993* under *Insurance of Councillors* for example, attendance:
 - At the meetings of the local government or its committees that the Councillor is entitled to or asked to attend, or at which the Councillor has business for a resident of the local government's area; and
 - At inspections or deputations, conferences and meetings at which the Councillor's attendance is permitted by the local government; and
 - At official functions organised for the local government; and
 - On residents of the area for the purpose of local government business.
- Gathering of information by a Councillor necessary to inform him or her of an incident of interest to Council or which properly falls within the responsibility of Council.

'Councillors' include Councillors, the Mayor and Deputy Mayor.

'Civic duties' means Council business.

'Discretionary training' is any training that is not determined by Council as "mandatory".

'Expenses' refers to expenses described in the *Guidelines*.

'Facilities' refer to the facilities deemed necessary to assist Councillors in their role as shown in the *Guidelines*.

'Mandatory training' is any training that Council resolves that all Councillors must attend.

'Meal allowance' is the daily amount allowed for meals while travelling on Council business.

'Official capacity' refers to activities undertaken while on Council business.

'Public record' is any record created, received or kept in an official capacity.

'Representing Council'. A Councillor is representing Council when Council resolves that the Councillor is to attend an event or function as a representative of Council.

'Travel advance' is a cash payment paid in advance for anticipated expenses associated with travelling on Council business. A travel advance may include expenses for meals, accommodation and incidentals. All expenses must be reconciled at the return of the travel.

RELATED POLICIES AND LEGISLATION:

The Local Government Act 1993

Guidelines for Councils – Reimbursement of Expenses and Provision of Facilities for Mayors and Councillors as issued by the Chief Executive of the Queensland Department of Local Government, Sport and Recreation.

Borrowing Policy 2008/2009

Section 4 of the *Local Government Finance Standard 2005* states that a Local Government must develop a policy about borrowings. Council's borrowing activities are governed by the *Statutory Bodies Financial Arrangements Act 1982* and Section 525 of the *Local Government Act 1993*.

Policy Objective

The objective of the policy is to ensure the sound management of Council's existing and future debt.

Policy Statement

Borrowing Purposes

Council policy is to only borrow for capital expenditure, which will improve services to ratepayers. As part of Council's debt management strategy, if surplus funds become available and it is deemed to be financially beneficial to do so, one off loan repayments will be made to reduce the term of existing loans.

Loan draw-downs will be timed so as to optimise cash flow and minimise interest expenses.

Repayment Ability

Council has adopted the debt service ratio as the key indicator of Council's ability to sustain its level of debt. Council considers that a target of 20% is appropriate considering the current growth phase of the Shire.

Debt Term

Council policy is to borrow new loans for a period that maximizes efficiency. It is planned to repay existing borrowings within 12 years.

Borrowing Sources

Council shall raise all external borrowings at the most competitive rates available and from sources available as defined by legislation.

Proposed Borrowings

Total borrowing requirements over the next five years are expected to be in the order of \$49.431m for 2008/09, \$26.6m for 2009/10, \$20.0m for 2010/11, \$20.9m for 2011/12, and \$23.7m for 2012/13.

Council will review the requirements for borrowings throughout the 2008/09 year.

Revenue Policy 2008-2009

Section 513A of the *Local Government Act 1993* requires that a local government must prepare and adopt a revenue policy.

Policy Objective

The purpose of this Revenue Policy is to set out the principles used by Council for:

- the making and levying of rates and charges;
- the recovery of rates and charges; and
- exercising of its power to grant rebates and concessions for rates and charges.

Policy Statement

The Making of Rates and Charges

Council makes rates and charges to fund the provision of valuable services to our community. In adopting its annual budget, Council may make rates and charges at a level that will provide for both current and future community requirements. Council will apply the principle of transparency in making rates and charges.

General Rates

General Rates revenue provides essential whole of community services not funded through subsidies, grants, contributions or donations received from other entities, or not provided for by other levies or charges. Council will consider all full cost recovery options before calculating the general rate.

Council is required to raise an amount of revenue it sees as being appropriate to maintain assets and provide services to the Shire as a whole. In deciding how that revenue is raised, Council has formed the opinion that the differential general rating scheme provides the most equitable basis for the distribution of the general rate burden. In formulating the differential general rating scheme Council has considered equity by implementing distribution of the general rate based on the land use.

The Unimproved Capital Valuation for each property is the basis for determining the amount of the general rate levied. Council recognises that significant valuation fluctuations may have an adverse effect on pensioners. Council has implemented a Deferment of General Rates Policy to provide eligible pensioners with the opportunity to apply for a deferment of general rates.

Special Rates

Where appropriate Council will fund certain services and facilities by means of separate or special rates or charges in accordance with Section 971 & 972 of the *Local Government Act 1993*.

Council will levy special rates and charges on certain properties that are considered to be specially benefited by the provision of specific service, facilities or activities. Special rates are based on the unimproved capital value of the land and special charges are a flat charge per property, where this is considered to provide a more equitable basis for the sharing of the cost.

Other Charges

In general, Council will be guided by the principle of user pays in making all other charges.

The Levying of Rates and Charges

In levying rates and charges, Council will apply the principles of:

- consistency by scheduling the issue of rate notices on a half yearly basis;
- communication by advising ratepayers about rate notice issue dates and discount dates;
- clarity by providing meaningful information on rate notices to enable ratepayers to clearly understand their responsibilities; and
- flexibility by providing payment arrangements to ratepayers in financial difficulty, along with a wide array of payment options.

In making and levying rates and charges, Council will be guided by the principles of:

- Equitable distribution of the general rates burden;
- Transparency in the making and levying of rates;
- Flexibility, to take account of changes in the local economy;
- Clarity in terms of responsibilities (Council's and ratepayers') in regard to the rating process;
- National Competition Policy legislation where applicable; and
- Having in place a rating regime that is efficient to administer.

The Recovery of Rates and Charges

Council will exercise its rate recovery powers pursuant to the provisions of Chapter 14 Part 7 of the Local Government Act in order to reduce the overall rate burden on ratepayers, and will be guided by the principles of:

- equity by treating all ratepayers in similar circumstances in the same manner and by having regard to their capacity to pay,
- transparency by making clear the obligations of ratepayers and the processes used by Council in assisting them to meet their financial obligations,
- flexibility by accommodating ratepayers' needs through short-term payment arrangements.

The exercising of power to grant Rebates and Concessions for rates and charges

Council has determined that pensioners as defined by the *Local Government Act 1993* are entitled to receive concessions on rates and various other services that Council provides to the community. Other charitable organisations, community groups, and sporting associations may also be entitled to concessions. In exercising these concession powers, Council will be guided by the principles of:

- transparency by making clear the requirements necessary to receive concessions; and
- communication by raising the awareness of target groups that may qualify for these concessions.

COMMERCIAL BUSINESSES -

Sunshine Coast Airport

As a key infrastructure asset for the Sunshine Coast the Sunshine Coast Airport (SCA) is proud to report a successful year with significant progress made toward achieving the objectives and milestones within the Airport Master Plan.

Despite a difficult year in aviation including spiralling oil prices, fuel surcharges, global economic crisis, and declining worldwide demand, the Airport managed to maintain its position in 2008/09 with strong passenger numbers (912,314) and a high average load factor (84%). The calendar year ended December 2008 saw 85,000 more passengers than the same period in 2007 and January 2009 set a record with the single highest number of passengers to pass through the SCA gates in one month

Progress continues toward developing Sunshine Coast Airport as a significant aviation precinct with commencement of the initial steps towards achieving the Master Plan. The new \$6.3 million four lane entrance road opened to the public in December 2008. Runway Drive provides benefits for both residents and visitors to the Sunshine Coast today while planning for the needs and expected growth of tomorrow.

In March 2009 works also began on the Terminal Redevelopment project. The \$3.6 million upgrade to facilities will significantly enhance the airport experience for commuters, visitors and airport staff alike by providing additional food and beverage outlets, modern facilities, and a streamlined security screening process. This project is due to be completed in November 2009

Throughout the year the team worked tirelessly to provide a safe and efficient operation that met the Government's increased security requirements, particularly the introduction of the Checked Bag Screening (CBS) system. In a boost to security, stage one of the \$3.2 million CBS system commenced in December 2008

In December 2008 SCA commissioned a report to determine the economic impact of the Airport on the local Sunshine Coast region. The study concluded that Sunshine Coast Airport contributes \$469.3 million to the regional economy and supports a total of 4,409 full time jobs. By further examining visitor expenditure it is determined that every \$1.00 spent by a tourist using Sunshine Coast Airport generates \$0.61 in gross regional product to the Sunshine Coast. These figures reflect the ongoing importance the Airport has to the local economy and the thriving tourism industry.

The airport recognises the great importance of social wellbeing of the community it serves and has an active presence via events, programs, forums and working groups. Throughout the year the Airport supported numerous activities in education, the arts, community needs, aviation and tourism. The Airport's Fly Neighbourly Policy, regular Community and Aviation Forums and involvement in the Sunshine Coast Aviation Working Group continue to assist in providing sustainable airport services that are proudly supported by our community.

It is through the determination and dedication of staff and the continued support of the council and community that the Airport will meet the challenges of the next phase of aviation growth at SCA. Moving forward SCA will continue to strive to achieve excellence in managing, developing and promoting the Airport in a sustainable manner.

Achievements 2008/2009

2008/09 Highlights

- A record calendar year in 2008 with 946,708 passenger movements
- Opening of the \$6.3 m four lane entrance road, Runway Drive
- January broke passenger number records with 92,722 passengers through the SCA gates
- Tiger Airways host their board meeting and strategic planning session on the Sunshine Coast
- Commencement of \$3.6 m terminal redevelopment project

Future Outlook

2009/2010 will focus on completion of the capital expansion projects amounting to a \$9.5M investment during the year.

Specific details of planned activities can be found in the Annual Performance Plans published as part of Council's Operational Plan for 2009/2010.

Non-Financial Performance Indicators 2008/2009

The following table identifies key performance targets from the Annual Performance Plan achieved during the year.

Ref #	Corporate Plan Project	Project Output	Output Performance Measure	Dept	Responsible Branch	Result
A3	Prepare Sunshine Coast Airport site Master Plan.	Stage's 1 & 2 of the Airport Master Plan completed	On Time, on Budget and % Completion	F&CS	Sunshine Coast Airport	Stage 1 - 90% completion. Stage 2 - 60% Both stages ahead of schedule
C2	Prepare a Master Plan for the Sunshine Coast Airport activity precinct.	Prepare a Master Plan for the Sunshine Coast Airport activity precinct.		P&D	Strategic Planning	Airport Precinct complete.

Key Performance Indicator	Level of Service	Performance Measurement Process	Performance Target	Current Performance	Data Source	Result
Capacity	RPT Aircraft	% of available bays occupied at peak periods	100%	95%	Annual audit	100%
Service	Passenger	Design size per peak hour passenger	IATA Code C	IATA Code D	Peak Hour Passenger Numbers	IATA Code D
Safety	Compliance	Number of unresolved issues	Nil	>1 per month	Annual Audit	Nil

COMMERCIAL BUSINESSES -

Sunshine Coast Water

Sunshine Coast Water was created through the amalgamation of the water businesses run by the former three Sunshine Coast Councils - Noosa Council, Maroochy Shire Council and Caloundra City Council. The transfer of the bulk water operations from South East Queensland Councils to the State Government also resulted in significant changes to the scope of activities undertaken by the new water business of Sunshine Coast Regional Council.

2008/2009 represents the first year of operations for the new entity.

Achievements 2008/2009

Achievements for the year focused around the consolidation of the water businesses, including the co-location of staff from outlying depots to central locations as a means of improving operational efficiencies. A thorough review of systems and processes was undertaken, resulting in consolidation of employee, financial and asset management data.

The ongoing provision of service to customers, and the maintenance of operational benchmarks throughout this process were of the highest importance to the organisation.

Future Outlook

The next stage of State Government Water Reform program will see a newly created Regional Water Authority as at 1 July 2010.

The Regional Water Authority will incorporate the water businesses of both Moreton Bay Regional Council and Sunshine Coast Regional Council, and will be jointly "owned" by the two Councils. Legislation and Governance arrangements for the new entity are currently before the State Government.

Accordingly, during the 2009/2010 financial year the focus of Sunshine Coast Water will be on preparing the business for future transition to the new entity. During this period ongoing high levels of customer service and maintaining operational performance targets will be of the highest importance to ensure no negative impact on services to customers.

Also during this phase, the continued renewal/replacement and augmentation of infrastructure assets remains a high priority.

Specific details of planned activities can be found in the Annual Performance Plans published as part of Council's Operational Plan for 2009/2010.

Non-Financial Performance Indicators 2008/2009

The following table identifies key performance targets achieved during the year.

Water Supply Services	Target	Actual
Response time to Priority 1 Events within 1 hour	>95%	88.4%
Restoration of services within 5 hours following a Priority 1 Event	>90%	90.9%
Incidents causing an unplanned interruption per 100 km of main per year	<30	5.1
Water main breaks and leaks per 100 km of main per year	<25	8.1
Minimum water pressure expectation at boundary	20 metres	20 metres
Percentage of tests that comply with Australian Drinking Water Guidelines for the reticulation systems over twelve months	>98%	99.7%
E.Coli	>99%	100%
colour <15 HU	>99%	100%
turbidity < 5 NTU	>99%	100%
Number of drinking water quality complaints per 1000 connected water properties per year	<10	1.7
Drinking water quality incidents, per 1,000 connected water properties, per year	<5	1.2
Reticulated water supply system loss percentage (unaccounted for water, and includes: system losses, theft, standpipe use, meter accuracy errors, maintenance, repairs, system commission)	<11%	17.9%
Sewerage Services	Target	Actual
Response time to Priority 1 Events within 1 hour	>95%	77.5%
Restoration of services within 5 hours following a Priority 1 Event	>90%	92.3%
Sewer main breaks and chokes per 100 km of main per year	<40	24.8
Sewer inflow / infiltration – ratio of peak day flow to average day flow	<3	3.1
Total sewage overflows per 100km of main per year	<8	11
Sewage overflows to customer property per 1000 connected sewerage properties per year	<2	1.2
Odour complaints per 1000 connected sewerage properties per year	<3	1.4

Commentary on Performance Indicators

Accuracy in data capture for service response times is being reviewed with the rollout of the new Maximo 7 asset management system and it is anticipated that performance will improve. Alternative service delivery models are being investigated to improve response times. Benchmarking has revealed that Sunshine Coast Water's targets are of the highest standards and in some instances of a higher standard than of other water utility services.

Sewage overflow and sewer inflow/infiltration performances are influenced by major wet weather events, including those that were experienced in March and April 2009.

The reticulated water supply system loss is being further investigated with an update to property meters underway and the review of standpipe use being conducted.

Financial Performance for Commercialised Business Units

Statement of Income and Expenses	Sunshine Coast Water \$'000 2008/09	Sunshine Coast Water \$'000 2007/08	Sunshine Coast Airport \$'000 2008/09	Sunshine Coast Airport \$'000 2007/08
Operating Revenue				
Net Rates & Utility Charges	121,810	104,308		
Fees & Charges	6,200	5,519	8,589	8,089
Interest Received from Investments	1,331	1,307		
Grants and Subsidies - Recurrent	12	11		
Operating contributions		5,140		
Other Revenue	1,322	409	2,769	2,049
Internal Revenues	9,639	8,002	4	6
Community Service Obligations	1,840	1,760	21	21
Total Operating Revenue	142,154	126,456	11,383	10,165
Operating Expenses				
Employee costs	22,374	20,717	1,316	1,198
Materials & Services	60,521	51,067	1,806	1,555
Internal Expenditure	2,830	8,963	735	1,070
Finance Costs	6,179	8,553	944	380
Depreciation	39,820	38,459	1,364	1,054
Other Expenses	1,620	1,724		(290)
Competitive Neutrality Adjustments	(151)	95	138	177
Total Operating Expenses	133,193	129,578	6,303	5,144
Operating Surplus/(Deficit)	8,961	(3,122)	5,080	5,021
Capital Revenue				
Capital Grants and Subsidies	2,864	641		
Capital Contributions	25,505	22,454		
Contributed Assets.	34,199	32,199		
Net Result Surplus / (Deficit)	71,529	52,172	5,080	5,021
Other Capital Funding Sources				
Loan proceeds	14,859	4,046	16,150	3,080
Asset sale proceeds (1)	73,486	(114)		
Depreciation utilised	38,754	11,630	1,364	325
Total Other Capital Funding Sources	127,099	15,562	17,514	3,405
Capital Funding Applications				
Constructed Assets (2)	19,708	13,635	18,031	1,384
Contributed Assets	32,957	30,482		
Loan redemptions (1)	82,548	4,042	771	146
Total Capital Funding Applications	135,213	48,159	18,802	1,530
Total Reserve Movements	(28,693)	12,022	(2,326)	(679)
Contribution to Council	34,722	31,597	1,466	6,217

Note 1: During the 2008-09 period bulk water assets were transferred as part of State Government water reforms.

Note 2: The cost of the new airport road is included in the Sunshine Coast Airport constructed assets although the benefits of the infrastructure accrue to other parties. The total cost of the road was \$5.8 million.

Note 3: Due to the change in accounting periods following amalgamation the above figures have not been subject to external audit.

Sunshine Coast Regional Council

for the period 15th March 2008 to 30 June 2009

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Income Statements

for the period 15 March 2008 to 30 June 2009

		Consolidated	Council
		2009	2009
	Note	\$'000	\$'000
Income			
Revenue			
Recurrent revenue			
Net rate and utility charges	3(a)	327,790	327,790
Fees and charges	3(b)	80,834	76,742
Rental income	3(c)	1,597	1,332
Interest received	3(d)	25,566	25,520
Sales - contract and recoverable works	3(e)	23,013	23,013
Other recurrent income	3(g)	8,166	8,005
Grants, subsidies, contributions and donations	4(a)	29,852	29,786
Total recurrent revenue		496,818	492,188
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	258,855	258,855
Total revenue		755,673	751,043
Gain on local government amalgamation			
Assets and liabilities transferred from abolished Councils	12	4,573,768	4,571,396
Adjustments due to accounting policy alignment	12	(26,849)	(24,887)
Total income		5,302,592	5,297,552
Expenses			
Employee benefits	6	(204,384)	(200,635)
Materials and services	7	(243,324)	(238,693)
Finance costs	8	(13,514)	(13,361)
Depreciation and amortisation	9	(133,307)	(133,271)
Contributions to controlled entities	10	-	(4,127)
Total recurrent expenses		(594,529)	(590,087)
Capital expenses			
	5,11	(5,870)	(5,870)
Total expenses		(600,399)	(595,957)
Net result attributable to council		4,702,193	4,701,595

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

Balance Sheets
as at 30 June 2009

		Consolidated	Council
		2009	2009
	Note	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	13	339,139	338,236
Trade and other receivables	14	32,009	31,853
Inventories	15	5,210	5,148
Other financial assets	16	11,179	11,149
		<u>387,537</u>	<u>386,386</u>
Land for resumption by the State for roads	17	220	220
Total current assets		<u>387,757</u>	<u>386,606</u>
Non-current assets			
Trade and other receivables	14	6	6
Property, plant and equipment	19	4,932,755	4,932,738
Investment Property	18	3,096	3,096
Capital works in progress	20	81,911	81,911
Intangible assets	21	3,950	3,913
		<u>5,021,718</u>	<u>5,021,664</u>
Total non-current assets		<u>5,021,718</u>	<u>5,021,664</u>
Total assets		<u>5,409,475</u>	<u>5,408,270</u>
Liabilities			
Current liabilities			
Trade and other payables	22	65,000	64,455
Borrowings	23	10,505	10,505
Monies received in advance	26	167	167
Unearned revenue	26	5,014	4,964
		<u>80,686</u>	<u>80,091</u>
Total current liabilities		<u>80,686</u>	<u>80,091</u>
Non-current liabilities			
Trade and other payables	22	6,724	6,712
Borrowings	23	147,116	147,116
Provisions	25	11,303	11,303
Unearned revenue	26	60	60
		<u>165,203</u>	<u>165,191</u>
Total non-current liabilities		<u>165,203</u>	<u>165,191</u>
Total liabilities		<u>245,889</u>	<u>245,282</u>
Net community assets		<u>5,163,586</u>	<u>5,162,988</u>
Community equity			
Regional capital		4,411,686	4,411,088
Asset revaluation reserve	27	461,393	461,393
Other reserves	28	290,507	290,507
		<u>5,163,586</u>	<u>5,162,988</u>
Total community equity		<u>5,163,586</u>	<u>5,162,988</u>

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

Statements of Changes in Equity
for the period 15th March 2008 to 30 June 2009

Consolidated

	Regional Capital	Asset revaluation reserve 27	Retained surplus	Capital and other reserves 28	Total
Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Period 15th March 2008 to 30 June 2009					
Opening balance	-	-	-	-	-
Revaluation of property, plant and equipment	-	461,393	-	-	461,393
Net income recognised directly in equity	-	461,393	-	-	461,393
Surplus for the period	-	-	4,702,193	-	4,702,193
Total recognised income and expense	-	461,393	4,702,193	-	5,163,586
Transfers to and from reserves					
Transfers to / from capital	4,411,686	-	(4,411,686)	-	-
Transfers to general reserves	-	-	(422,806)	422,806	-
Transfers from general reserves	-	-	132,299	(132,299)	-
Total transfers to and from reserves	4,411,686	-	(4,702,193)	290,507	-
Balance at 30 June 2009	4,411,686	461,393	-	290,507	5,163,586

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

Statements of Changes in Equity
for the period 15th March 2008 to 30 June 2009

Council	Notes	Regional Capital \$'000	Asset revaluation reserve 27 \$'000	Retained surplus \$'000	Capital and other reserves 28 \$'000	Total \$'000
Period 15th March 2008 to 30 June 2009						
Opening balance		-	-	-	-	-
Revaluation of property, plant and equipment		-	461,393	-	-	461,393
Net income recognised directly in equity		-	461,393	-	-	461,393
Surplus for the period		-	-	4,701,595	-	4,701,595
Total recognised income and expense		-	461,393	4,701,595	-	5,162,988
Transfers to and from reserves						
Transfers to / from capital		4,411,088	-	(4,411,088)	-	-
Transfers to general reserves		-	-	(422,806)	422,806	-
Transfers from general reserves		-	-	132,299	(132,299)	-
Total transfers to and from reserves		4,411,088	-	(4,701,595)	290,507	-
Balance at 30 June 2009		4,411,088	461,393	-	290,507	5,162,988

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

Statements of Cash Flows
for the period 15th March 2008 to 30 June 2009

	Consolidated	Council
	2009	2009
Note	\$'000	\$'000
Cash flows from operating activities :		
Receipts from customers	516,908	513,784
Payments to suppliers and employees	(425,080)	(421,635)
	<u>91,828</u>	<u>92,149</u>
Interest received	25,519	25,519
Finance Costs	(9,783)	(9,783)
Net cash inflow (outflow) from operating activities	36 <u>107,564</u>	<u>107,885</u>
Cash flows from investing activities :		
Payments for property, plant and equipment	(171,826)	(171,826)
Proceeds from sale of property, plant and equipment	93,979	93,979
Grants, subsidies, contributions and donations	35,175	35,175
Net cash inflow (outflow) from investing activities	<u>(42,672)</u>	<u>(42,672)</u>
Cash flows from financing activities :		
Proceeds from borrowings	62,711	62,711
Repayment of borrowings	(96,112)	(96,112)
Net cash inflow (outflow) from financing activities	<u>(33,401)</u>	<u>(33,401)</u>
Net increase (decrease) in cash held	<u>31,491</u>	<u>31,812</u>
Cash acquired from restructure of local government	307,648	306,424
Cash at end of reporting period	13 <u>339,139</u>	<u>338,236</u>

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

1 Summary of Significant Accounting Policies

1.01 Basis of Preparation

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport dated 27 July 2007 recommended that the former Caloundra City Council, Maroochy Shire and Noosa Shire Councils be amalgamated to form the Sunshine Coast Regional Council. Pursuant to Part 1B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008*, the Sunshine Coast Regional Council was formed on 15 March 2008. Sunshine Coast Regional Council is domiciled in Australia.

This general purpose financial report of the Sunshine Coast Regional Council for the period 15 March 2008 to 30 June 2009 has been prepared in accordance with the Australian Accounting Standards and complies with the requirements of the *Local Government Act 1993*, the *Local Government Reform Implementation Regulation 2008* and the *Local Government Finance Standard 2005*.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Caloundra City, Maroochy and Noosa Shire Councils to the Sunshine Coast Regional Council as at changeover date.

Pursuant to section 159YQ of the *Local Government Act 1993* and sections 26 and 35 of the *Local Government Reform Implementation Regulation 2008*, financial statements have been prepared for the period starting on 15 March 2008 and ending on 30 June 2009. Therefore there are no comparatives for the 2009 Financial Statements. Future periods will be for twelve month periods starting 1 July and ending on 30 June.

Assets and liabilities of the former councils have been recognised by Sunshine Coast Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as income in the Income Statement and details are disclosed in note 12.

Sunshine Coast Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the Income Statement and details are disclosed in note 12.

This financial report has been prepared under the historical cost convention except for the revaluation of certain non current assets.

1.02 Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). 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, therefore, this report does not comply with IFRS. The main impact is in:

- .the offsetting of revaluation and impairment gains and losses within a class of assets
- .the recognition of assets and liabilities of the former councils at the amounts at which they were recognised by the transferor local governments

1.03 Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Sunshine Coast Regional Council (Council) as at 30 June 2009 and the results of all controlled entities for the period then ended. The Council and its controlled entities together form the economic entity which is referred to in this financial report as the consolidated entity.

In the process of reporting the Council as a single economic entity, all transactions and balances with entities controlled by the Council have been eliminated.

The controlled entities during the period are The Sunshine Coast Events Centre Pty Ltd, Caloundra City Enterprises Pty Ltd, Quad Park Corporation Pty Ltd and the Noosa Biosphere Ltd.

1 Summary of Significant Accounting Policies (continued)

1.04 Adoption of New Accounting Standards

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 but, as permitted, have been early adopted in preparing this report where applicable:

AASB 1004 Contributions (December 2007)

AASB 1051 Land Under Roads (December 2007)

AASB 1052 Disaggregated Disclosures (December 2007)

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31.

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009, and have not been applied.

AASB8 Operating Segments (Feb 2007)

AASB123 Borrowing Costs (June 2007)

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)

AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)

AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)

AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)

AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)

AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)

AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)

AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)

AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)

AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 –

Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]

Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008)

1.05 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.

1.06 Currency

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

1 Summary of Significant Accounting Policies (continued)

1.07 Constitution

The Council is constituted under the Queensland *Local Government Act 1993* and is domiciled in Australia.

1.08 Date of Authorisation

The financial report was authorised for issue on the date it was submitted to the Auditor for certification. This is the date the management certificate is signed.

Council has the power to amend the Financial Report after it is authorised for issue until the adoption of the report as part of the Annual Report.

1.09 Changes to Accounting Policies

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

1.10 Rates, Grants and Other Revenue

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

(i) Rates

Rate revenue is recognised at the time rates are levied or rate monies received, whichever is earlier.

(ii) Grants and Subsidies

Grants and subsidy revenues are recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

Where council has an obligation to use a grant or subsidy in a particular manner, the amount is recognised as a liability or in the constrained works reserve until such time as council has extinguished any obligation set by the grantor. When all obligations are met the grant or subsidy is recognised as revenue.

(iii) Non-cash Contributions

Non-cash contributions including physical assets, in excess of \$5,000 in value are recognised as revenue and as non-current assets. Non-cash contributions below \$5,000 are recorded as revenue and expenses.

(iv) Other Revenue including Contributions

Other revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

1.11 Cash and Cash Equivalents

For the purposes of the Balance Sheet and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked as well as 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 and that are subject to a low risk of changes in value. The Council considers all its term deposits, being for periods of less than three months to be cash equivalents.

1.12 Receivables

Trade receivables are recognised initially at fair value due at the time of sale or service delivery and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and, if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced with provision being made for impairment. The impairment loss is recognised in other expenses.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate. Increases in the provision for impairment are based on loss events.

All known bad debts were written-off against the provision for impairment at 30 June. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

Loans and advances to community groups are recognised at amortised cost. Council has an agreement with a local sporting body to 30 June 2011 with interest charged at the rate agreed at the commencement of the loan term on 1 July 1996 (3.47%).

1 Summary of Significant Accounting Policies (continued)

1.13 Inventories

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

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 the lower of cost and replacement value.

1.14 Land

(i) Land held under deed of grant in trust (DOGIT)

The Department of Natural Resources and Water administers nine (9) parcels of land, which have been granted to and are controlled by council in terms of Deeds of Grant in Trust under the *Land Act 1994*, the value of which has been included in land assets (Note 19). The land is valued at fair value as determined by reference to the current replacement cost of the land as council is able to derive future economic benefits from the use of the land although not the legal owner. These land parcels are used for sport, recreation, showgrounds and park purposes.

(ii) Land held for resale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. As inventory, this land is valued at the lower of cost or net realisable value. Inventory items are always treated as current assets.

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

(iii) Land Under Roads

In accordance with AASB 116 Property Plant & Equipment, AASB 1051 Land Under Roads and Council Asset Valuation Policy, land under roads is not recognised as an asset. Land under roads does not meet asset recognition criteria for control and reliable future measurement of fair value. Title to land under roads is transferred to the State Government when designated land purpose is published in the Queensland Government Gazette.

1.15 Investment Property

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

Investment properties are measured using the fair value model. This means it is initially recognised at cost including transaction costs and subsequently revalued to fair value. Where an investment property is acquired at no or nominal cost it is recognised at fair value. Investment properties are subsequently carried at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

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

1.16 Property, Plant and Equipment

Each class of property, plant and equipment is carried 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 \$5,000, except for land, network assets (an aggregate of interrelated assets), and fleet items are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

(i) Major plant

The Council has determined that individual items of plant and equipment with a cost in excess of \$1,000,000 are of high value to the local government. There are no items which meet this criteria. All other items of plant and equipment are measured on the cost basis.

1 Summary of Significant Accounting Policies (continued)

1.16 Property, Plant and Equipment (continued)

(ii) 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's fees, engineering design fees and all other establishment costs incurred in preparing the asset for use.

Non-monetary assets, including property, plant and equipment, received in the form of contributions are recognised as assets and revenue at fair value by council. Assets transferred from the former Caloundra, Maroochy and Noosa Councils were initially recognised at the amount at which they were recognised by the former Councils at the changeover day as disclosed in Note 12. These assets are reflected as additions at cost in Note 19.

(iii) Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity 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.

(iv) Valuation

Land, buildings, infrastructure and heritage and cultural assets are measured on the revaluation basis, at fair value, in accordance with AASB116 Property, Plant and Equipment and the *Local Government Finance Standard 2005*. All other non-current assets, principally furniture in buildings, plant and equipment and intangibles, are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every three years with interim valuations, using a suitable index, being otherwise performed on an annual basis where there has been a material variation in the index.

Details of valuers and methods of valuation are disclosed in Note 19.

Plant and equipment, are measured at depreciated cost. The carrying amounts for plant and equipment measured at depreciated cost should not differ materially from their fair value.

The fair values mean the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction.

(v) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on 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.

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 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.

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 estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown at Note 19.

(vi) Unfunded depreciation

The Council has elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet council defined future service delivery levels to the community unless insufficient revenue sources are available to cover this depreciation amount. In this case the unfunded depreciation reflects a more serious decline the council's capital value and sustained shortfalls may affect the council's ability to maintain this level of service into the future.

1 Summary of Significant Accounting Policies (continued)

1.16 Property, Plant and Equipment (continued) (vii) Transfer of Bulk Water Assets

In the 2006-2007 year, the Queensland Water Commission released its final report to the Queensland Government on the Urban Water Supply Arrangement in South East Queensland. The report outlined a range of structural and regulatory reforms for urban water supply arrangements in South East Queensland (SEQ) including enhanced economic regulation and pricing.

(a) Bulk Water

The South East Queensland Water (Restructuring) Act 2007 (Restructuring Act) provides the legislative basis to effect the first stage of the Government's reforms by facilitating bulk water supply and transport business restructure in SEQ. Among other things, the Restructuring Act provides for the establishment of four new statutory authorities to participate in urban water supply arrangements in SEQ. The new entities comprise:

- . Three new bulk water authorities to own and operate bulk water supply, transport and manufactured water infrastructure;
- . A Water Grid Manager to operate the water grid.

Pursuant to a transfer notice under the Restructuring Act gazetted on 15 June 2008, Council's bulk water assets and certain freehold land, inventories and employees were transferred to the Queensland Bulk Water Supply Authority on 1 July 2008.

Compensation for the transfer was initially paid to the Queensland Treasury Corporation in settlement of Council debts outstanding at the transfer date, with the remaining balance then-paid to Council.

1/7/2008

\$'000

Transfer details

Assets

Inventories held for distribution

Property, plant and equipment (at book value recorded prior to impairment)

-

117,663

117,663

Liabilities

Accrued employee benefits

Loans – Queensland Treasury Corporation

Provisions – Employee benefits

(321)

-

-

(321)

Book value of net assets transferred

Compensation received

Net gain/(loss) on transfer

86,445

86,445

-

An impairment loss of \$30,897k arose from the use of different methods to determine the value of the assets to be transferred as determined by the State Government and their book values according to Council's valuation methodologies.

This loss was accounted for as an impairment of the relevant assets prior to the amalgamation of the Caloundra, Maroochy and Noosa Shire Councils. Therefore no adjustment has been made to the period ended 30 June 2009.

A gain of \$4,408k arose from the early settlement of the Queensland Treasury Corporation loan. This represents the difference between the book and market values of the loan on 1 July 2008 based on the interest rate applicable on that date. Refer note 3(g).

1 Summary of Significant Accounting Policies (continued)

1.16 Property, Plant and Equipment (continued) (vii) Transfer of Bulk Water Assets

(b) Distribution and Retail Water

In July 2009 the Queensland Government agreed to a proposal by the Council of Mayors (South East Queensland) to create three vertically integrated retailer-distributor companies jointly owned by Councils to deliver water and waste water services to residents and commercial water customers in the areas currently serviced by these Councils.

Further reforms proposed by the Queensland Water Commission include the creation of:

A single distribution and retail entity jointly-owned by Sunshine Coast Regional Council and Moreton Bay Regional Council to own and operate the region's water and wastewater reticulation networks and wastewater treatment plants; and

Commencement of the new entity will occur as at 1 July 2010. The transfer of assets and operations from each Council to that entity is likely to occur in the financial year ending 30 June 2010. As the impact of these changes is not yet determined, no account has been taken of them in preparing this financial report.

Fair Value at 30 June 2009

Property, plant and equipment

\$'000

1,443,771

1.17 Intangible Assets

Only intangible assets which have a cost exceeding \$5,000 are recognised as intangible assets.

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset.

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised.

It has been determined that there is not an active market for any of the Councils intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

1.18 Capital work in progress

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

1.19 Impairment of non current assets

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.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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

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

1 Summary of Significant Accounting Policies (continued)

1.20 Leases

Leases of plant and equipment under which the Council assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases where substantially all the risks and benefits remain with the lessor are classified as operating leases.

(i) Finance leases

Finance leases are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

(ii) Operating leases

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

1.21 Payables

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

1.22 Liabilities - Employee benefits

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

(i) Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability is treated as a payable and not as a provision.

(ii) Annual leave

A liability for annual leave is recognised and is based on current wage and salary levels and includes related employee on-costs. This liability is treated as a payable and not as a provision.

(iii) Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of arrangements are set out in Note 32.

(iv) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability is treated as a payable and not as a provision.

(v) Sick leave

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

1.23 Provision for Rehabilitation

A provision is made for the cost of restoration of assets and other future restoration costs 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 Gravel Pits and Refuse dumps.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The current QTC lending rate is considered an appropriate rate.

1 Summary of Significant Accounting Policies (continued)

1.24 Borrowings

Loans payable are measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing.

Borrowing costs are treated as an expense, as assets constructed by the council are generally completed within one year and therefore are not considered to be qualifying assets.

Gains and losses on the early redemption of borrowings are recorded in other revenue / expense.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.25 Components of Equity

(i) Asset revaluation reserve

The asset revaluation reserve 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 this reserve.

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 reserve in respect of that class. Any excess is treated as an expense.

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve.

(ii) Reserves

The following reserves 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.

(a) Constrained works reserve

This reserve has all grants, subsidies and contributions of monetary revenue received during the reported period which are constrained for the purpose of funding specific capital expenditure.

As the expenditure is incurred on specified capital assets, the equivalent amounts are transferred to the capital account. The closing balance reported at the period end represents amounts not yet expended and must be retained until expended in the manner specified by the contributor or relevant legislation.

(b) Kawana development fund reserve

This reserve was created to contribute to future funding for the development of the Kawana area.

(c) Water infrastructure reserve

This reserve was created to contribute to future funding for new water infrastructure and provide a contingency amount to offset any major unforeseen water supply works which are required.

(d) Sewerage infrastructure reserve

This reserve was created to contribute to future funding for new sewerage infrastructure and provide a contingency amount to offset any major unforeseen water supply works which are required.

(e) New Asset acquisitions reserve

This account reflects monies set aside by the Council to acquire new assets.

(f) Plant reserve

This account reflects monies set aside by the Council to replace plant and equipment.

1 Summary of Significant Accounting Policies (continued)

1.25 Components of Equity (continued) (ii) Reserves (continued)

(g) IT reserve

This account reflects amounts set aside by the Council to replace IT software and equipment.

(h) Waste management reserve

This account reflects amounts set aside by the Council for future asset purchase or replacement of the solid waste disposal assets.

(i) Special function reserve

This account reflects monies set aside by the Council for functions Council performs as an "agent" of other bodies, Aged Care, Day Respite Care, or for specific purposes such as beach restoration, canal maintenance and unspent heritage levy funds collected.

(j) General Reserve

This reserve is for particular projects that are not specifically identified in the constrained works reserve, capital works or environment reserves. The major sub-components of this reserve include :self insurance, strategic land acquisitions, employee provisions, economic development and as a fallback in emergency situations.

(k) Capital works other

This reserve is for projects as identified as being carry over works.

(l) Capital works reserve

This reserve is used to partially fund general capital works throughout the central region. Reserves are held by the business unit or specific capital project.

(m) Environment Reserve

This reserve is for the purchase of environmentally significant land and the unexpected component of the environment levy. The later item is for the partial funding of a range of strategic environmental management initiatives.

(n) Cleansing infrastructure reserve

This reserve was created to contribute to future funding for new cleansing infrastructure.

(iii) Retained surplus/(deficit)

This represents that part of the Council's net funds not required to meet immediate requirements or to meet specific future needs. The balance of this account at the end of each financial year represents the amount available to Council that may be used to offset against expenditure in the following year or, if a deficit, the additional amount of revenue needed to be raised in the following year.

1.26 Controlled Entities

The Council wholly owns the issued shares of Quad Park Corporation Pty Ltd, Sunshine Coast Events Centre Pty Ltd, Caloundra City Enterprises Pty Ltd and the Noosa Biosphere Ltd- the results of operations for the year and the assets and liabilities at 30 June 2009 have been included in the consolidated financial statements.

1.27 National Competition Policy

The Council has reviewed its activities and has identified fourteen (14) activities that are business activities. Details of these activities can be found in Note 38.

1.28 Rounding

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero.

1 Summary of Significant Accounting Policies (continued)

1.29 Financial Risk Management

The Council minimises its exposure to financial risk in the following ways:

- Investments in financial assets are only made where those assets are with a bank or other financial institution approved by the Statutory Bodies Financial Arrangements act 1982 in Australia and are for a period of less than one year.

- The Council does not invest in derivatives.

- 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.

- Details of financial instruments and the associated risks are shown at Note 37.

1.30 Trust Funds Held for Outside Parties

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.

The monies are disclosed in Note 35 to the Financial Statements for information purposes only.

1.31 Taxation

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

The Council pays payroll tax to the Queensland Government on certain activities.

2 Analysis of results by function

Income and expenses defined between recurrent and capital are attributed to the following functions :

(a) Period ended 30 June 2009

Functions	Gross program income		Total income	Total expenses	Net result attributable to council	Assets
	Grants	Other				
	Recurrent					
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Community Services	12,156	7,104	19,260	61,410	(42,150)	79,315
Executive Office	531	1,585	2,116	3,898	(1,782)	2,330
Finance & Business	22,438	201,998	224,436	46,569	177,867	462,650
Infrastructure Services	25,521	177,179	202,700	212,093	(9,393)	2,962,687
Organisation Performance	1,106	57,846	58,952	44,762	14,190	100,265
Regional Strategy & Planning	3,495	11,943	15,438	49,544	(34,106)	47,704
Sunshine Coast Water	8,629	219,510	228,139	177,680	50,459	1,753,319
Total Council	73,876	677,165	751,041	595,955	155,086	5,408,270
Controlled entities net of eliminations	66	4,566	4,632	4,444	188	1,205
Total consolidated	73,942	681,731	755,673	600,399	155,274	5,409,475

2

(b) Components of council functions

The activities relating to the Council's components reported on in Note 2(a) are as follows:

Community Services

Encompasses community partnerships and response, active and healthy communities, creative communities and learning communities.

Executive Office

Comprises sustainability and innovation, audit and assurance and legals.

Finance and Business

Comprises finance, commercial and procurement, economic and development, property, business strategy and airports.

Infrastructure Services

Comprises civil works, parks and gardens, environment, transport and engineering, waste management, fleet and major projects.

Organisation Performance

Comprises information technology, corporate communication, governance, council services and human resources.

Regional Strategy and Planning

Encompasses planning and development assessment, operational works assessment, regional strategy and transport.

Sunshine Coast Water

Comprises water and sewerage operations.

Notes on the Income Statement	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
3 Revenue analysis			
(a) Rates and Charges			
General rates		171,831	171,831
Environment levy		7,055	7,055
Tourism levy/Special Levy		7,153	7,153
Rural fire levy		274	274
Cleansing charges		33,321	33,321
Change of ownership fees		484	484
Sewerage		67,834	67,834
Sewerage trade waste		253	253
Valuation Fees		41	41
Water rates		58,703	58,703
Total rates and utility charge revenue		346,949	346,949
Less : Discounts		(15,135)	(15,135)
Less: Pensioner remissions		(3,949)	(3,949)
Less: Rebates		(75)	(75)
Net rates and utility charges		327,790	327,790
(b) Fees and charges			
Fees and charges		80,834	76,742
		80,834	76,742
(c) Rental income			
Investment property rentals		1,597	1,332
		1,597	1,332
(d) Interest received			
Interest received from investments		23,347	23,301
Interest from rates and utilities		2,219	2,219
		25,566	25,520
(e) Sales - Contracts & recoverable works			
Sales contracts & recoverable works		23,013	23,013
		23,013	23,013
(g) Other recurrent income			
Other income		8,166	8,005
		8,166	8,005
This amount includes a gain on market value realisation of \$4,408K on settlement of QTC borrowings, associated with the bulk water transfer. Refer Note 1.			
4 Grants, subsidies, contributions and donations			
Recurrent-Government grants, subsidies, contributions and donations are analysed as follows			
(a)			
Government grants and subsidies		27,477	27,411
Non-Government grants and subsidies		13	13
Donations of cash		61	61
Contributions		2,301	2,301
Total Recurrent Revenue		29,852	29,786
Capital-Government grants, subsidies, contributions and donations are analysed as follows			
(b)			
Government grants and subsidies		33,097	33,097
Donated assets		161,346	161,346
Contributions		64,412	64,412
Total Capital Revenue		258,855	258,855
5 Capital expense			
(a) Gain (loss) on the disposal of non-current assets			
Proceeds from sale of property, plant and equipment		71,001	71,001
Less : Book value of property, plant and equipment		(76,944)	(76,944)
		(5,943)	(5,943)
Proceeds from sale of land and improvements		23,240	23,240
Less : Book value of land sold		(21,483)	(21,483)
		1,757	1,757
Total capital income / (loss)		(4,186)	(4,186)

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
Notes on the Income Statement			
6 Employee benefits			
Total wages and salaries		162,784	159,577
Annual, sick and long service leave entitlements		20,688	20,336
Superannuation contributions and expenses		23,927	23,916
Councillor's remuneration		2,220	2,220
		<u>209,619</u>	<u>206,049</u>
Other employee related expenses		13,747	13,568
		<u>223,366</u>	<u>219,617</u>
Less : Capitalised employee expenses		(18,982)	(18,982)
		<u>204,384</u>	<u>200,635</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees as at the reporting date			
Elected members		13	13
Staff		2,529	2,529
Total full time equivalent employees		<u>2,542</u>	<u>2,542</u>
7 Materials and services			
Advertising and marketing		2,640	2,525
Audit services		552	540
Chemicals		2,945	2,945
Consultants		15,949	15,831
Contractors		139,027	138,264
Donations paid		3,920	3,920
Electricity		14,230	13,887
Entertainment		581	581
Fuel and gas		6,970	6,956
Grants		5,408	5,408
Insurances		4,247	4,244
Legal expenses		4,906	4,905
Plant and vehicle hire		13,555	13,491
Rentals - operating leases		11,216	11,216
Telephone		4,608	4,489
Water precept		13,469	13,469
Other materials and services		90,383	87,304
		<u>334,606</u>	<u>329,975</u>
Less : Capitalised costs		(91,282)	(91,282)
		<u>243,324</u>	<u>238,693</u>
8 Finance costs			
Finance costs charged by Queensland Treasury Corporation		11,419	11,419
Interest on bank overdraft		4	-
Bank charges		1,190	1,041
Impairment of receivables		613	613
Other finance costs		288	288
		<u>13,514</u>	<u>13,361</u>
9 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Buildings		7,376	7,340
Roads & Bridges network		35,417	35,417
Drainage network		17,207	17,207
Other infrastructure assets		10,874	10,874
Land (Restoration)		43	43
Water		16,996	16,996
Sewerage		34,738	34,738
Sunshine Coast Airport		1,745	1,745
Plant and equipment assets		6,385	6,397
Total depreciation of non-current assets		<u>130,782</u>	<u>130,758</u>
(b) Amortisation of intangible assets			
Software		2,525	2,513
Total depreciation & amortisation		<u>133,307</u>	<u>133,271</u>
10 Other recurrent expenses			
Contributions to controlled entities			
Company contributions		-	4,127
		<u>-</u>	<u>4,127</u>
11 Capital Expenses			
Revaluation down of property, plant & equipment	19	819	819
Impairment loss on property, plant & equipment	19	478	478
Revaluation down of Investment property		387	387
		<u>1,684</u>	<u>1,684</u>

12 Gain on restructure of local government

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Caloundra City Council, Maroochy and Noosa Shire Councils be amalgamated to form the Sunshine Coast Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008 the amalgamation was effective from the changeover date of 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Caloundra City Council, Maroochy and Noosa Shire Councils to the Sunshine Coast Regional Council as at changeover date.

The assets and liabilities of the former councils have been recognised at the amounts at which they were recognised by the local governments as at the changeover day.

Sunshine Coast Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008.

In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from the former Councils as at 15 March 2008.

Details are as follows:

	Caloundra City Council		Maroochy Shire Council		Noosa Shire Council		Total assets and liabilities recognised by Sunshine Coast Regional Council		Adjustments due to accounting policy alignment		Gain on restructure of local government	
	Consolidated	Council	Consolidated	Council	Consolidated	Council	Consolidated	Council	Consolidated	Council	Consolidated	Council
	14-March-2008 \$'000	14-March-2008 \$'000	14-March-2008 \$'000	14-March-2008 \$'000	14-March-2008 \$'000	14-March-2008 \$'000	15-March-2008 \$'000	15-March-2008 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Current assets												
Cash and cash equivalents	109,764	108,539	120,076	120,076	77,808	77,808	307,648	306,423	0	0	307,648	306,423
Trade and other receivables	9,136	8,503	17,863	17,863	11,039	11,039	38,038	37,405	0	0	38,038	37,405
Tax Assets	0	0	1,028	1,028	0	0	1,028	1,028	0	0	1,028	1,028
Inventories	671	601	1,938	1,938	3,752	3,752	6,361	6,291	0	0	6,361	6,291
Other financial assets	2,306	2,241	3,934	3,934	389	389	6,629	6,564	0	0	6,629	6,564
	121,877	119,884	144,839	144,839	92,988	92,988	359,704	357,711	0	0	359,704	357,711
Non-current assets classified as held for sale	220	220	0	0	0	0	220	220	0	0	220	220
Total current assets	122,097	120,104	144,839	144,839	92,988	92,988	359,924	357,931	0	0	359,924	357,931
Non-current assets												
Trade and other receivables	0	0	14	14	0	0	14	14	0	0	14	14
Inventories	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	0	0	0	0
Investment property	0	0	0	0	3,483	3,483	3,483	3,483	0	0	3,483	3,483
Property, plant and equipment	1,306,260	1,306,233	2,207,803	2,207,803	875,710	875,710	4,389,773	4,389,746	(13,367)	(13,367)	4,376,406	4,376,379
Capital works in progress	16,176	14,673	32,903	32,903	26,984	26,984	76,063	74,560	(2,859)	(897)	73,204	73,663
Intangible assets	0	0	5,333	5,333	1,040	1,040	6,373	6,373	0	0	6,373	6,373
Total non-current assets	1,322,436	1,320,906	2,246,053	2,246,053	907,217	907,217	4,475,706	4,474,176	(16,226)	(14,264)	4,459,479	4,459,911
TOTAL ASSETS	1,444,533	1,441,010	2,390,892	2,390,892	1,000,205	1,000,205	4,835,630	4,832,107	(16,226)	(14,264)	4,819,403	4,817,842

Current liabilities												
Trade and other payables	11,799	10,698	27,334	27,334	6,489	6,489	45,622	44,521	8,422	8,422	54,044	52,943
Borrowings	35,380	35,380	49,073	49,073	29,616	29,616	114,069	114,069	0	0	114,069	114,069
Provisions	0	0	0	0	0	0	0	0	0	0	0	0
Other	2,574	2,574	943	943	702	702	4,219	4,219	0	0	4,219	4,219
Total current liabilities	<u>49,753</u>	<u>48,652</u>	<u>77,351</u>	<u>77,351</u>	<u>36,807</u>	<u>36,807</u>	<u>163,910</u>	<u>162,809</u>	<u>8,422</u>	<u>8,422</u>	<u>172,333</u>	<u>171,232</u>
Non-current liabilities												
Trade and other payables	4,087	4,037	8,874	8,874	1,652	1,652	14,613	14,563	(4,783)	(4,783)	9,830	9,780
Borrowings	37,282	37,282	24,514	24,514	17,960	17,960	79,756	79,756	-	-	79,756	79,756
Provisions	0	0	3,410	3,410	50	50	3,460	3,460	6,985	6,985	10,445	10,445
Other	0	0	0	0	120	120	120	120	0	0	120	120
Total non-current liabilities	<u>41,369</u>	<u>41,319</u>	<u>36,798</u>	<u>36,798</u>	<u>19,782</u>	<u>19,782</u>	<u>97,949</u>	<u>97,899</u>	<u>2,202</u>	<u>2,202</u>	<u>100,151</u>	<u>100,101</u>
TOTAL LIABILITIES	<u>91,122</u>	<u>89,971</u>	<u>114,149</u>	<u>114,149</u>	<u>56,589</u>	<u>56,589</u>	<u>261,859</u>	<u>260,708</u>	<u>10,623</u>	<u>10,623</u>	<u>272,483</u>	<u>271,332</u>
NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS	<u>1,353,411</u>	<u>1,351,039</u>	<u>2,276,743</u>	<u>2,276,743</u>	<u>943,616</u>	<u>943,616</u>	<u>4,573,771</u>	<u>4,571,399</u>	<u>(26,849)</u>	<u>(24,887)</u>	<u>4,546,920</u>	<u>4,546,510</u>

(b) Adjustments due to accounting policy alignment

	Note	Consolidated	Council
		2009	2009
		\$'000	\$'000
Property, plant and equipment	Note 19		
Sunshine Coast Regional Council adopted an asset recognition threshold for assets, other than land and plant and equipment, of \$5,000. This resulted in derecognitions of assets transferred from the former Councils, where the gross value fell below the asset recognition threshold.		2,739	2,739
During the revaluation process for Council's assets it was discovered that certain assets had been either omitted or incorrectly recognised from the previous financial reports.		10,628	10,628
Capital work in progress	Note 20		
Sunshine Coast Regional Council adopted an asset recognition threshold for assets, other than land and plant and equipment, of \$5,000. This resulted in derecognitions of assets transferred from the former Councils, where the gross value fell below the asset recognition threshold.		<u>2,859</u>	<u>897</u>
		16,226	14,264
Employee benefits	Note 22		
Sunshine Coast Regional Council adopted a uniform approach to the recognition, measurement and classification of its long service leave obligations resulting in an increase to the provision of employee entitlements.		<u>3,638</u>	<u>3,638</u>
		3,638	3,638
Provision for Landfill Restoration	Note 25		
Sunshine Coast Regional Council adopted a new methodology for the recognition and measurement of the provision for Landfills across the Shire. Council has now identified four landfill sites that will require rehabilitation under environmental law.		<u>5,985</u>	<u>5,985</u>
		5,985	5,985

Provison for Quarry Restoration

**Note
25**

Sunshine Coast Regional Council adopted a new methodology for the recognition and measurement of a Quarry provision across the Shire.

1,000	1,000
<u>1,000</u>	<u>1,000</u>

(c) Net result attributable to Council before net assets transferred from abolished Councils

Net result attributable to Council
Gain on restructure of local government
Net result attributable to Council before gain on restructure of local government

4,702,193	4,701,595
4,546,919	4,546,509
<u>155,274</u>	<u>155,086</u>

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

	Consolidated	Council
Notes on the Balance Sheet	2009	2009
	Actual	Actual
Note	\$'000	\$'000
13 Cash and cash equivalents		
Current		
Cash at bank and on hand	4,108	3,205
Deposits at call	335,031	335,031
Balance as per cash flow statement	339,139	338,236
Balance per Statement of Cash Flows	339,139	338,234
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	6,355	6,355
Unspent developers contributions	90,919	90,919
Total unspent restricted cash for capital projects	97,274	97,274
Cash & deposits at call are held with the Queensland Treasury Corporation and authorised deposit taking institutions with short term credit ratings of A1 and above.		
14 Trade and other receivables		
(a) Current		
Rateable revenue and utility charges	15,404	15,404
Other debtors	15,026	14,917
Less : Provision for doubtful debts	(1,031)	(1,024)
GST recoverable	2,601	2,547
Loans and advances to community organisations	9	9
	32,009	31,853
(b) Non-Current		
Loans and advances to community organisations	6	6
	6	6
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.		
15 Inventories		
Inventories held for distribution		
Quarry and road materials	1,215	1,215
land purchased for development and sale	2,356	2,356
Other trading stocks	1,639	1,577
Total inventories for distribution	5,210	5,148
16 Other financial assets		
Current		
Prepayments and Accrued Revenue	11,179	11,149
	11,179	11,149

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

		Consolidated	Council
Notes on the Balance Sheet		2009	2009
		Actual	Actual
	Note	\$'000	\$'000
17	Non-current assets classified as held for sale		
	Land for resumption by the State for roads	220	220
		<u>220</u>	<u>220</u>
18	Investment property		
	Carrying value		
	Acquired on Council restructure	3,483	3,483
	Revaluation adjustment to the income account	(387)	(387)
	Fair value at end of period	<u>3,096</u>	<u>3,096</u>

Investment property comprises

Income from the investment property is shown in note 3 (c).

The property was valued at fair value by AEC Group Limited as at 30 June 2009

Total Council

19 Property, plant and equipment
(a) Consolidated

Basis of measurement	Land & Improvements	Buildings	Plant & Equipment	Road & Bridge Network	Water Network	Sewerage Network	Drainage Network	Other infrastructure assets	Sunshine Coast Airport	Total
	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	-
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Asset Values										
Net value of assets transferred from abolished cour	738,774	192,568	30,393	1,127,031	593,285	845,198	672,358	128,805	61,362	4,389,774
Adjustment on restructure of Local Government	-62	-1,034	2,404	-324	5,312	1,714	-3,992	-15,490	-315	-11,787
Additions at cost	5,479	14,179	13,074	69,303	7,178	14,784	7,818	20,830	10,440	163,085
Contributed Assets at Valuation	11,410	112	0	49,471	16,293	28,048	54,084	12	2,300	161,730
Disposals	-21,050	-2,412	-6,036	-5,385	-99,831	-4,244	-144	-2,483	-473	-142,056
Revaluation adjustment to the ARR	51,200	82,597	0	613,524	0	425,276	221,794	83,029	4,541	1,481,959
Revaluation adjustment to income	0	0	0	0	302,034	0	0	0	0	302,034
Internal transfers	0	-36,220	4,658	0	0	0	0	31,562	0	0
Closing gross value	785,751	249,790	44,493	1,853,620	824,271	1,310,776	951,918	246,266	77,855	6,344,740
Accumulated Depreciation and impairment										
Opening balance	0	0	0	0	0	0	0	0	0	0
Depreciation provided in period	43	7,376	6,385	35,417	16,996	34,738	17,207	10,874	1,745	130,782
Adjustment on restructure of Local Government	0	3,166	2,855	1,484	2,477	2,696	-1,147	-9,942	0	1,590
Depreciation on disposals	0	-898	-2,912	-2,454	-34,899	-1,697	-48	-1,375	0	-44,283
Revaluation adjustment to the ARR	658	70,226	0	324,051	0	367,716	181,447	73,613	2,855	1,020,566
Revaluation adjustment to income	0	0	0	0	302,853	0	0	0	0	302,853
Impairment adjustment to the ARR	0	0	0	0	0	0	0	0	0	0
Impairment adjustment to income	0	45	0	0	64	332	0	37	0	478
Internal transfers	0	-10,838	1,322	0	0	0	0	9,516	0	0
Accumulated depreciation at period end	701	69,078	7,650	358,498	287,490	403,786	197,459	82,723	4,600	1,411,985
Consolidated book value at period end	785,050	180,712	36,843	1,495,121	536,781	906,990	754,459	163,543	73,255	4,932,755
Residual value	0	8,282	15,244	657,755	0	0	0	17,603	16,408	0
Range of estimated useful life in years	0-36	3-100	2-25	2-100	10-150	5-80	10 - 70	3-100	5-100	

19 (b) Council

Basis of measurement	Land & Improvements	Buildings	Plant & Equipment	Road & Bridge Network	Water Network	Sewerage Network	Drainage Network	Other infrastructure assets	Sunshine Coast Airport	Total
	Valuation 2009 \$'000	Valuation 2009 \$'000	Cost 2009 \$'000	Valuation 2009 \$'000	Valuation 2009 \$'000	Valuation 2009 \$'000				
Asset Values										
Net value of assets transferred from abolished council	738,774	192,568	30,366	1,127,031	593,285	845,198	672,358	128,805	61,362	4,389,747
Adjustment on restructure of Local Government	-63	-1,033	2,404	-324	5,312	1,714	-3,992	-15,490	-315	-11,787
Additions at cost	5,479	14,179	13,049	69,303	7,178	14,784	7,818	20,830	10,440	163,060
Contributed Assets at Valuation	11,410	112	0	49,471	16,293	28,048	54,084	12	2,300	161,730
Disposals	-21,050	-2,412	-6,036	-5,385	-99,831	-4,244	-144	-2,483	-473	-142,056
Revaluation adjustment to the ARR	51,200	82,597	0	613,524	0	425,276	221,794	83,029	4,541	1,481,959
Revaluation adjustment to income	0	0	0	0	302,034	0	0	0	0	302,034
Internal transfers	0	-36,220	4,658	0	0	0	0	31,562	0	0
Closing gross value	785,750	249,791	44,440	1,853,620	824,271	1,310,776	951,918	246,266	77,855	6,344,687
Accumulated Depreciation and impairment										
Opening balance	0	0	0	0	0	0	0	0	0	0
Depreciation provided in period	43	7,340	6,397	35,417	16,996	34,738	17,207	10,874	1,745	130,758
Adjustment on restructure of Local Government	0	3,166	2,843	1,484	2,477	2,696	-1,147	-9,942	0	1,578
Depreciation on disposals	0	-898	-2,912	-2,454	-34,899	-1,697	-48	-1,375	0	-44,283
Revaluation adjustment to the ARR	658	70,226	0	324,051	0	367,716	181,447	73,613	2,855	1,020,566
Revaluation adjustment to income	0	0	0	0	302,853	0	0	0	0	302,853
Impairment adjustment to the ARR	0	45	0	0	0	332	0	37	0	414
Impairment adjustment to income	0	0	0	0	64	0	0	0	0	64
Internal transfers	0	-10,838	1,322	0	0	0	0	9,516	0	0
Accumulated depreciation at period end	701	69,042	7,650	358,498	287,490	403,786	197,459	82,723	4,600	1,411,949
Consolidated book value at period end	785,049	180,749	36,790	1,495,121	536,781	906,990	754,459	163,543	73,255	4,932,738
Residual value	0	8,282	15,244	657,755	0	0	0	17,603	16,408	0
Range of estimated useful life in years	0-36	3-100	2-25	2-100	10-150	5-80	10 - 70	3-100	5-100	

Notes to Financial Statements

for the period 15 March 2008 to 30 June 2009

19 (c) Property, plant & equipment valuations were determined by reference to the following:

Land, buildings and infrastructure assets are measured on the revaluation model (at Fair value), in accordance with AASB 116 Property, Plant and Equipment and the Local Government Finance Standard 2005. All other non-current assets are measured at cost.

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

Land

Land has been included at current fair value as at 30 June 2009 as determined by Australian Pacific Valuers Pty Ltd (APV). Asset valuations have been updated by way of an average index provided by APV to reflect fair value as at 30 June 2009. Additions during the financial year are valued at cost, which represents fair value.

Land under infrastructure & reserve land does not have a value for the purpose of the Sunshine Coast Regional Council's financial statements.

Buildings

Buildings have been included at their written down depreciated replacement cost as valued by APV and Rushton Assetval Pty Ltd, as at 30 June 2009. Asset valuations have been updated by way of an of an average index provided by APV and Rushton Assetval Pty Ltd to reflect fair value as at 30 June 2009. Additions during the financial year are valued at cost, which represents fair value.

Plant & Equipment

Plant and equipment under the set amount of \$1,000,000 are valued on the cost basis in accordance with Local Government Finance Standard 2005 and AASB 116 Property, Plant and Equipment.

Furniture and Fittings is measured at original cost less accumulated depreciation.

Infrastructure

Water & Sewerage Infrastructure

The valuation of water and sewerage active assets was included at written down depreciated replacement cost as at 30 June 2009 as determined by consulting engineers Guthridge Haskins and Davey Pty Ltd (GHD).

The valuation of water and sewerage passive assets was determined by the application of unit rates supplied by GHD as at 30 June 2009. Additions during the financial year are recorded at cost.

Road Infrastructure

The valuation of road assets was determined by the application of unit rates supplied by Aurecon Australia Pty Ltd as at 30 June 2009. Additions during the financial year are recorded at cost.

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Stormwater Infrastructure

The valuation of drainage assets was determined by the application of unit rates supplied by Aurecon Australia Pty Ltd as at 30 June 2009. Additions during the financial year are recorded at cost.

Bridges & Culverts Infrastructure

The valuation of bridge and culvert assets was determined by the application of unit rates supplied by Aurecon Australia Pty Ltd as at 30 June 2009. Additions during the financial year are recorded at cost.

Sunshine Coast Airport

The Sunshine Coast Airport was independently valued at depreciated replacement cost by APV as at 30 June 2007. Asset valuations have been updated by way of an average index provided by APV to reflect fair value as at 30 June 2009.

Other Infrastructure Assets

Waste assets have been included at their written down depreciated replacement cost as valued by Australian Pacific Valuers and Rushton Assetval Pty Ltd, as at 30 June 2007. Asset valuations have been updated by way of an index provided by APV as at 30 June 2009 to reflect fair value. Additions during the financial year are recorded at cost.

The valuation of park assets was determined by the application of unit rates supplied by Aurecon Australia Pty Ltd as at 30 June 2009. Additions during the financial year are recorded at cost.

Other Infrastructure assets not valued by unit rates were indexed by the appropriate Australian Bureau of Statistics Non-Building Construction Index Rate (Qld) June 2009.

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet		Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
Note			
20 Capital work in progress			
Capital works in progress at cost		81,911	81,911
21 Intangible assets			
Software			
Transferred from Caloundra City and Maroochy and Noosa Shire Councils as part of Government restructure		6,374	6,325
Adjustment		(18)	(18)
Acquisitions at cost		104	104
Closing gross carrying value		6,460	6,411
Accumulated amortisation			
Transferred from Caloundra City and Maroochy and Noosa Shire Councils as part of Government restructure		-	-
Adjustment		(15)	(15)
Amortisation in the period		2,525	2,513
Closing balance		2,510	2,498
Net carrying value at the period end		3,950	3,913
The software has a finite life. Straight line amortisation has been used with no residual value			
22 Trade and other payables			
Current			
Creditors and accruals		31,934	31,727
Annual leave		15,243	15,093
L.S.L. and Other entitlements		17,823	17,635
		65,000	64,455
Non-Current			
Long Service Leave		6,724	6,712
		6,724	6,712
23 Borrowings			
Current			
Loans - QTC Unsecured	24	10,491	10,491
Loans - Other		14	14
		10,505	10,505
Non-Current			
Loans - QTC Unsecured	24	147,116	147,116
		147,116	147,116
24 Loans			
(a) Queensland Treasury Corporation			
Transferred from Caloundra City and Maroochy and Noosa Shire Council's as part of Government restructure		206,006	206,006
Loans raised		49,431	49,431
Principal repayments		(97,830)	(97,830)
Book value at period end		157,607	157,607
Classified as :			
Current		10,491	10,491
Non-Current		147,116	147,116
		157,607	157,607
The loan market value at the reporting date was \$ 161,590,824, based on valuation techniques used by QTC. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the Council to hold the debt for its term, no provision is required to be made in these accounts.			
25 Provisions			
Non-Current			
Quarry rehabilitation		1,050	1,050
Refuse restoration		10,253	10,253
		11,303	11,303

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
26 Other liabilities			
Current			
Monies received in advance		167	167
Unearned revenue		5,014	4,964
		<u>5,181</u>	<u>5,131</u>
Non-Current			
Unearned revenue		60	60
		<u>60</u>	<u>60</u>
27 Asset revaluation reserve			
(a) Movements in asset revaluation reserve were as follows :			
Balance at beginning of period		-	-
Land and improvements		51,479	51,479
Buildings		13,619	13,619
Road and bridge network		289,473	289,473
Drainage network		40,347	40,347
Water		-	-
Sewerage		57,559	57,559
Other infrastructure		8,916	8,916
Balance at end of period		<u>461,393</u>	<u>461,393</u>
(b) Asset revaluation reserve analysis			
The closing balance of the asset revaluation reserve is comprised of the following asset categories:			
Land and improvements		51,479	51,479
Buildings		13,619	13,619
Road and bridge network		289,473	289,473
Drainage network		40,347	40,347
Water		-	-
Sewerage		57,559	57,559
Other infrastructure		8,916	8,916
		<u>461,393</u>	<u>461,393</u>

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet	Consolidated		Council	
	Note	2009 Actual \$'000	2009 Actual \$'000	2009 Actual \$'000
28 Capital and other reserves				
(a) Summary of reserves held for funding future capital expenditure:				
1 Constrained works reserve		77,789		77,789
2 General		15,737		15,737
3 Constrained Reserve - Capital		135,230		135,230
4 Environment		4,786		4,786
5 Water infrastructure reserve		27,091		27,091
6 Sewerage infrastructure reserve		13,597		13,597
7 Water initiatives reserve		6,045		6,045
8 Property Development		1,713		1,713
9 Plant Reserve		1,070		1,070
10 IT Reserve		39		39
11 Special Function Reserve		3,015		3,015
12 Corporate Recurrent Reserve		3,269		3,269
13 Cleansing infrastructure reserve		1,126		1,126
		-		-
		<u>290,507</u>		<u>290,507</u>
Total reserves		290,507		290,507
Movements in capital and other reserves are analysed as follows:				
1 Constrained works reserve				
Transfer from retained earnings grants, subsidies and contributions received in the period which restricted to specific capital projects		93,930		93,930
Transfers to the capital account funds expended in the period		(16,141)		(16,141)
Balance at period end		<u>77,789</u>		<u>77,789</u>
2 General				
Transfer from retained earnings for future expenditure		31,637		31,637
Transfer to retained earnings		(15,900)		(15,900)
Transfers to the capital account funds expended in the period				
Balance at period end		<u>15,737</u>		<u>15,737</u>
3 Constrained Reserve - Capital				
Transfer from retained earnings grants, subsidies and contributions received in the period which restricted to specific capital projects		190,625		190,625
Transfers to the capital account funds expended in the period		(55,395)		(55,395)
Transfer from retained earnings for future expenditure		135,230		135,230
Balance at period end		<u>135,230</u>		<u>135,230</u>
4 Environment				
Transfer from retained earnings for future expenditure		6,687		6,687
Transfer to the capital account funds expended in the period		(1,901)		(1,901)
Balance at period end		<u>4,786</u>		<u>4,786</u>
5 Water infrastructure reserve				
Transfer from retained earnings for future expenditure		39,460		39,460
Transfer to the capital account funds expended in the period		(12,369)		(12,369)
Balance at period end		<u>27,091</u>		<u>27,091</u>
6 Sewerage infrastructure reserve				
Transfer from retained earnings for future expenditure		20,264		20,264
Transfer to the capital account funds expended in the period		(6,667)		(6,667)
Balance at period end		<u>13,597</u>		<u>13,597</u>
7 Water initiatives reserve				
Transfer from retained earnings for future expenditure		7,910		7,910
Transfer to retained earnings		(1,865)		(1,865)
Balance at period end		<u>6,045</u>		<u>6,045</u>
8 Property Development				
Transfer from retained earnings for future expenditure		2,362		2,362
Transfer to the capital account funds expended in the period		(649)		(649)
Balance at period end		<u>1,713</u>		<u>1,713</u>
9 Plant Reserve				
Transfer from retained earnings for future expenditure		1,103		1,104
Transfer to the capital account funds expended in the period		(33)		(33)
Balance at period end		<u>1,070</u>		<u>1,071</u>
10 IT Reserve				
Transfer from retained earnings for future expenditure		169		169
Transfer to the capital account funds expended in the period		(130)		(130)
Balance at period end		<u>39</u>		<u>39</u>

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
11 Special Function Reserve			
Transfer from retained earnings for future expenditure		5,907	5,907
Transfer to retained earnings		(2,892)	(2,892)
Balance at period end		3,015	3,015
12 Corporate Recurrent Reserve			
Transfer from retained earnings for future expenditure		21,080	21,080
Transfer to retained earnings		(17,811)	(17,811)
Balance at period end		3,269	3,269
13 Cleansing infrastructure reserve			
Transfer from retained earnings for future expenditure		1,672	1,672
Transfer to the capital account funds expended in the period		(546)	(546)
Balance at period end		1,126	1,126
29 Commitments for expenditure			
(a) Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		3,204	3,204
One to five years		2,884	2,884
Greater than 5 Years		2,275	2,275
		8,363	8,363
(b) Contractual commitments			
Contractual commitments at balance date but not recognised in the financial statements are as follows:			
Within one year		65,213	65,213
Later than 1 year but within 5 years		49,993	49,993
Later than 5 years		11,251	11,251
		126,457	126,457
(c) Capital commitments			
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities :			
Buildings and Facilities		4,937	4,937
Caravan Parks		412	412
Fleet & plant		2,089	2,089
Information Technology		1,196	1,196
Parks, Gardens and Reserves		7,091	7,091
Stormwater		1,735	1,735
Strategic Land and Planning		3,279	3,279
Sunshine Coast Airport		1,898	1,898
Transportation		17,524	17,524
Waste		2,337	2,337
Water Supply and Sewerage		9,801	9,801
Waterway and Coastal Infrastructure		272	272
Construction of assets contracted for.		52,571	52,571
These expenditures are payable :			
Within one year		52,571	52,571
		52,571	52,571
30 Contingent liabilities			
Details and estimates of maximum amounts of contingent liabilities are as follows :			
Various claims are pending at 30 June 2009 the amounts subject to these legal claims should not exceed:		55,464	55,464
		55,464	55,464

At year-end, Council considers the likelihood of any cash outflows arising from the settlement of these claims is remote.

Local Government Workcare

Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$4,957,279.80

31 Events after balance date

There were no material adjusting events after the balance date.

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
32 Superannuation			
<p>The Sunshine Coast Regional Council contributes to the local government superannuation scheme. The scheme has two elements referred to as the defined benefits scheme and the accumulation scheme. Both these schemes are defined contributions schemes as defined in the Australian Accounting Standard AASB119 Employee benefits. Council has no liability to or interest in the scheme other than the payment of the statutory contributions.</p> <p>Any amount by which either scheme is over or under funded would only effect future benefits and is not an asset or liability of the council.</p> <p>Accordingly there is no recognition in the financial statements of any over- or under- funding of the scheme.</p> <p>The audited general purpose financial report of the Scheme as at 30 June 2008 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the accrued benefits.</p> <p>The general purpose financial statements disclose that the most recent actuarial assessment of the scheme was undertaken as at 2009. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue.</p> <p>The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.</p> <p>The amount of superannuation contributions paid by Sunshine Coast Regional Council to the superannuation scheme in this period for the benefit of employees was:</p>			
	6	23,927	23,916
33 Operating lease (Council is Lessor)			
<p>The minimum lease payments are payable as follows:</p>			
Not later than one year			
Later than 1 year but not later than 5 years		3,243	3,243
Later than 5 years		11,511	11,511
		9,759	9,759
		<u>24,513</u>	<u>24,513</u>
34 Controlled entities			
<p>The council has a 100% controlling interest in Sunshine Coast Events Centre Pty Ltd, Quad Park Corporation Pty Ltd, Sunshine Coast Enterprises Pty Ltd and Noosa Biosphere Ltd</p>			

Notes to Financial Statements
for the period 15 March 2008 to 30 June 2009

Notes on the Balance Sheet	Note	Consolidated	Council
		2009 Actual \$'000	2009 Actual \$'000
35 Trust funds			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities			
Security Deposits		10,288	10,288
		<u>10,288</u>	<u>10,288</u>
<p>The Sunshine Coast Regional Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.</p>			
36 Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities			
Result		4,702,193	4,701,595
Non-cash operating items :			
Depreciation and amortisation	9	133,306	133,270
Current cost of developed land sold		685	685
Market Value Realisation QTC		(4,408)	(4,408)
Interest capitalised		1,636	1,636
Non-cash donations, subsidies and contributions		(147,013)	(151,288)
		<u>(15,794)</u>	<u>(20,105)</u>
Investing and development activities :			
Net (profit) loss on disposal of non current assets	5	(4,186)	(4,186)
Capital Expenses		1,684	1,684
Payment for land for sale & development costs in period		(19)	(19)
Capital grants, subsidies and contributions		(45,618)	(45,618)
		<u>(48,139)</u>	<u>(48,139)</u>
Net Gain on Restructure of Local Government		<u>(4,546,920)</u>	<u>(4,546,510)</u>
Changes in operating assets and liabilities :			
(Increase) / decrease in receivables		6,037	5,560
(Increase) / decrease in other assets		(2,180)	2,583
(Increase) / decrease in inventory		1,151	1,143
Increase / (decrease) in payables		7,850	8,444
Increase / (decrease) in other liabilities		2,507	2,457
Increase / (decrease) in provisions		858	858
		<u>16,223</u>	<u>21,045</u>
Net cash inflow from operating activities		<u>107,563</u>	<u>107,885</u>

37 Financial Risk Management

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

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

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

Risk exposure	Measurement method
Interest rate risk	Sensitivity analysis
Foreign exchange risk	No exposure
Liquidity risk	Maturity analysis
Credit risk	Ageing analysis, earnings at risk

(i) Credit Risk

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

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

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

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks or other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits with authorised deposit taking institutions are capital guaranteed. Other investments are held with highly rated/regulated banks/financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote.

The maximum exposure to credit risk at balance date in relation to each class of recognized financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

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

The following table represents the Council's maximum exposure to credit risk:

	2009
Financial assets	\$'000
Cash and cash equivalents - Bank	4,108
Cash and cash equivalents - QTC	335,031
Receivables - Rates	15,404
Receivables - Other	16,611
Total	371,154

Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following table represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired.

	Fully Performing	Less than 30 days	Past Due 30-60 days	61-90 days	Over 90 Days	Impaired	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	16,939	13,664	564	90	1,789	-1,031	32,015

(ii) Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from QTC for capital works.

QTC manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the borrowings note.

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

Financial liabilities

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000
2009	89,524	89,475	127,410	306,409

(iii) Interest rate risk

The Council is exposed to interest rate risk through its finance lease borrowings, borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

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

The Council does not undertake any hedging of interest rate risk.

Interest Rate Sensitivity Analysis

The following sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss 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.

	Net carrying amount	Profit	Equity
	2009	2009	2009
	\$'000	\$'000	\$'000
Financial Assets	335,031	3,350	3,350
Financial Liabilities	157,621	1,576	1,576

38 National Competition Policy

(a) Type 1 and Type 2 activities

Definitions of type 1 and 2 activities:

Before the end of each financial year, the Minister must decide for the financial year, the expenditure amounts (the 'threshold amounts') for identifying a "significant business activity" that should be a type 1 or 2 business activity.

Type 1

For a significant business activity the following threshold expenditure was most recently determined by the Minister for the year ended 30 June 2009 as follows:-

(1) for water and sewerage combined activities - \$37.8 million

(2) for other activities - \$22.7 million

Type 2

(1) for water and sewerage combined activities - \$11.3 million

(2) for other activities - \$7.6 million

The Council has resolved to commercialise the following activities which fall into the expenditure guidelines above

Type 1 Sunshine Coast Water

Type 2 Sunshine Coast Airport

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

A business activity of a local government is divided into two categories:

(a) Roads business activity means

- (i) the construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement or;
- (ii) submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

(b) Other business activity, referred to as type three activities, means the following:

- (i) trading in goods and services to clients in competition with the private sector, or
- (ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself. Excluded activities are (a) library services, (b) an activity or part thereof prescribed by legislation.

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. .

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

The Council has resolved to apply the CCC to the following activities:

- Cleansing services
- Recreational Facilities (includes swimming pools and leisure centres)
- Childcare centres
- Building Certifiers
- Quarry Operations
- Plant Operations
- Other Road Activities
- Sunrise Shopping Centres
- Nambour Civic Centre
- Maroochy Cemetery Services
- Caravan Parks
- Respite Care and Home Assist

(c) Financial performance of activities subject to competition reforms:

	Water and Sewerage	Cleansing	Airport	Recreational Facilities	Childcare Centres	Building Certifiers	Quarry Operations
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Revenue for services provided to Council	5,521	11,170	6	2	0	3	4,499
Revenue for services provided to external clients	220,503	44,777	14,161	950,278	2,293	3,589	940
* Community Service Obligations	2,115	1,328	28	551	43	0	0
	228,139	57,275	14,195	950,831	2,336	3,592	5,439
Less : Expenditure	(177,680)	(59,457)	(9,585)	(6,004)	(2,312)	(3,267)	(6,057)
Surplus / (deficiency)	50,459	(2,182)	4,610	944,827	24	325	(618)

	Plant Operations	Other Road Activities	Sunrise Shopping Centre	Respite Care & Home Assist	Nambour Civic Centre	Maroochy Cemetery Services	Caravan Parks
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Revenue for services provided to Council	6,005	0	0	0	564	0	0
Revenue for services provided to external clients	156	1,621	462	2,231	1,885	631	14,807
* Community Service Obligations	0	0	0	0	194	7	0
	6,161	1,621	462	2,231	2,643	638	14,807
Less : Expenditure	(5,848)	(25,711)	(532)	(2,056)	(2,012)	(789)	(8,632)
Surplus / (deficiency)	313	(24,090)	(70)	175	631	(151)	6,175

SUNSHINE COAST REGIONAL COUNCIL

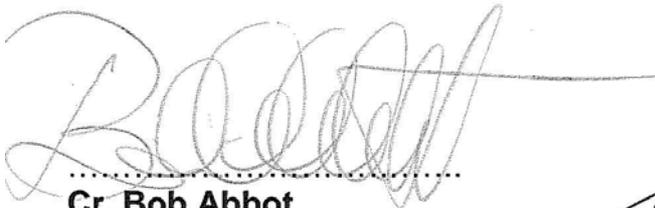
MANAGEMENT CERTIFICATE

For the period 15 March 2008 to 30 June 2009

This general purpose financial report has been prepared pursuant to section 532 of the *Local Government Act 1993*, Section 35 of the *Local Government Reform Implementation Regulation 2008*, the *Local Government Finance Standard 2005* (the Standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that-

- (i) The relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- (ii) The financial statements for the period ended 30 June 2009 and supporting notes present the Council's income, equity, balance sheet and cash flows as required by the *Local Government Act 1993*.



.....
Cr. Bob Abbot
Mayor
Sunshine Coast Regional Council



.....
John Knaggs
Chief Executive Officer
Sunshine Coast Regional Council

Date: 16th November 2009

Date: 16th November 2009

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Sunshine Coast Regional Council

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Sunshine Coast Regional Council for the financial year ended 30 June 2009 included on Sunshine Coast Regional Council's website. The Council is responsible for the integrity of the Sunshine Coast Regional Council's website. I have not been engaged to report on the integrity of the Sunshine Coast Regional Council's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Sunshine Coast Regional Council, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of Sunshine Coast Regional Council, which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer for the consolidated entity comprising the Council and the entities it controlled at the period's end and from time to time during the financial period.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1993*, *Local Government Finance Standard 2005* and the *Local Government Reform Implementation Regulation 2008* including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to

audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

Auditor's Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Sunshine Coast Regional Council and the consolidated entity for the financial period 15 March 2008 to 30 June 2009 and of the financial position as at the end of that period.



Jillian Richards CA
(as Delegate of the Auditor-General of Queensland)

18 November 2009

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vibrant green diverse

