

# Agenda

Special Meeting of Council  
Tuesday, 11 September 2018

To be held in the  
Council Chambers  
1 Merrijig Drive, Torquay

Commencing at 5.00pm

**Council:**

Cr David Bell (Mayor)  
Cr Libby Coker  
Cr Martin Duke  
Cr Clive Goldsworthy  
Cr Rose Hodge  
Cr Carol McGregor  
Cr Brian McKiterick (Leave of Absence)  
Cr Margot Smith  
Cr Heather Wellington

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AGENDA FOR THE SPECIAL COUNCIL MEETING OF SURF COAST SHIRE COUNCIL  
TO BE HELD IN THE COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY  
ON TUESDAY 11 SEPTEMBER 2018 COMMENCING AT 5.00PM

**PRESENT:**

**OPENING:**

Council acknowledge the traditional owners of the land where we meet today and pay respect to their elders past and present and Council acknowledges the citizens of the Surf Coast Shire.

**PLEDGE:**

As Councillors we carry out our responsibilities with diligence and integrity and make fair decisions of lasting value for the wellbeing of our community and environment.

**APOLOGIES:**

**CONFLICTS OF INTEREST:**

**Note to Councillors and Officers**

***Declaration of Interest***

*Councillors and Officers please note that in accordance with Section 77A of the Local Government Act 1989, there is an obligation to declare a conflict of interest in a matter that could come before Council.*

*A conflict of interest can be a direct or indirect interest in a matter.*

*A person has a direct interest if:*

*There is a reasonable likelihood that the benefits, obligations, opportunities or circumstances of the person would be directly altered if the matter is decided in a particular way.*

*A person has an indirect interest if the person has:*

- 1. A close association whereby a "family member" of the person has a direct or indirect interest or a "relative" or member of a person's household has a direct interest in a matter;*
- 2. An indirect financial interest in the matter;*
- 3. A conflicting duty;*
- 4. Received an "applicable" gift;*
- 5. Become an interested party in the matter by initiating civil proceedings or becoming a party to civil proceedings in relation to the matter; or*
- 6. A residential amenity affect.*

***Disclosure of Interest***

*A Councillor or Officer must make full disclosure of a conflict of interest by advising the class and nature of the interest immediately before the matter is considered at the meeting. While the matter is being considered or any vote taken, the Councillor with the conflict of interest must leave the room and notify the Chairperson that he or she is doing so.*

**PUBLIC QUESTION TIME:**

**BUSINESS:**

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## 1. GOVERNANCE & INFRASTRUCTURE

### 1.1 Annual Financial Statements 2017-18

**Author's Title:** Manager Finance

**General Manager:** Anne Howard

**Department:** Finance

**File No:** F17/985

**Division:** Governance & Infrastructure

**Trim No:** IC18/1449

**Appendix:**

1. Surf Coast Shire Council Financial Statements 2017-18 (D18/113445)

**Officer Direct or Indirect Conflict of Interest:**

**Status:**

In accordance with Local Government Act 1989 –  
Section 80C:

Information classified confidential in accordance with  
Local Government Act 1989 – Section 77(2)(c):

Yes

No

Yes

No

**Reason:** Nil

**Reason:** Nil

#### **Purpose**

The purpose of this report is to present the 2017-18 Financial Statements to Council for in-principle approval, as recommended by the Audit and Risk Committee and in accordance with section 132 of the Local Government Act 1989 (the Act).

#### **Summary**

Section 132 of the Act requires Council to pass a resolution approving in principle the Financial Statements, prior to submitting the Statements to the Victorian Auditor-General for issue of an audit opinion. The audit was conducted on-site at Council's headquarters by the Victorian Auditor-General's Office during the week commencing 20 August 2018.

The Audit and Risk Committee considered the Statements at its meeting held on Thursday, 6 September 2018. The Committee recommended that Council adopt in principle the 2017-18 Financial Statements, and authorise two Councillors to sign the Statements in accordance with the Act.

Council's approval of the statements is required to enable the in principle statements to be signed, submitted to the Auditor-General to issue an audit opinion and included in the annual report to be lodged with the Minister by the due date on 30 September 2018.

#### **Recommendation**

That Council:

1. Approve in principle to the Financial Statements and submit the statements to the auditor for reporting on the audit.
2. Authorise Cr Margot Smith and Cr Clive Goldsworthy to sign the 2017-18 Financial Statements in accordance with section 132(5) of the Local Government Act 1989.
3. Require the 2017-18 Financial Statements be referred back to Council if there are significant changes prior to signing.
4. Require that any minor changes to the 2017-18 Financial Statements be reviewed by the two authorised Councillors prior to signing.

## 1.1 Annual Financial Statements 2017-18

### Report

#### **Background**

The Local Government Act 1989 (the Act) requires Council to pass a resolution giving its approval in principle to the financial statements prior to submitting the statements to the Auditor-General for issue of an audit opinion.

Section 132 of the Act states:

1. A Council must submit the performance statement and financial statements in their finalised form to the auditor for auditing as soon as possible after the end of the financial year.
2. The Council, after passing a resolution giving its approval in principle to the performance statement and financial statements, must submit the statements to the auditor for reporting on the audit.
3. The auditor must prepare a report on the performance statement.  
*Note: The auditor is required under Part 3 of the Audit Act 1994 to prepare a report on the financial statements.*
4. The auditor must not sign a report under subsection (3) or under Part 3 of the Audit Act 1994 unless the performance statement or the financial statements (as applicable) have been certified under subsection (5).
5. The Council must ensure that the performance statement and financial statements, in their final form after any changes recommended or agreed by the auditor have been made, are certified in accordance with the regulations by—
  - (a) two Councillors authorised by the Council for the purposes of this subsection; and
  - (b) any other prescribed persons.
6. The auditor must provide the Minister and the Council with a copy of the report on the performance statement as soon as is reasonably practicable.  
*Note: The auditor is required under Part 3 of the Audit Act 1994 to report on the financial statements to the Council within 4 weeks and to give a copy of the report to the Minister.*

The Audit and Risk Committee considered the statements at its meeting held on Thursday, 6 September 2018. The Committee made a series of recommendations to Council, which are consistent with those outlined in this report. Council is required to consider the statements to enable an approved set to be signed and submitted to the Victorian Auditor-General for issue of an audit opinion. The audited statements can then be included in the annual report and lodged with the Minister by the due date of 30 September 2018.

#### **Discussion**

In accordance with its Charter, the Audit and Risk Committee is required to provide Council with the minutes of every meeting of the Committee, as well as a report explaining any specific recommendations and key outcomes. Due to the timing of both the audit process and Committee meeting, the full Minutes of the Committee meeting are not included in the Council Meeting agenda, however an extract of the relevant section of the Committee resolution is provided as follows:

“That the Audit and Risk Committee:

1. Recommend that Council:
  - a) Adopt ‘in principle’ the 2017-18 Financial Statements, subject to further adjustments required by Council’s auditor, in accordance with Section 131(7) of the Local Government Act 1989.
  - b) Authorise two Councillors to sign the 2017-18 Financial Statements in accordance with Section 132(5) of the Local Government Act 1989.
  - c) Require the 2017-18 Financial Statements be referred back to Council if there are significant changes prior to signing.
  - d) Require that any minor changes to the 2017-18 Financial Statements be reviewed by the two authorised Councillors prior to signing.”

The Committee considered the 2017-18 statements at its meeting held on 6 September 2018. Council staff and representatives of the Auditor-General’s office attended the Committee meeting to present and answer any questions.

## 1.1 Annual Financial Statements 2017-18

It was the consensus of the Committee that the statements present fairly the financial position of Surf Coast Shire Council at the conclusion of the 2017-018 financial year, and that the financial performance and cash flows of Surf Coast Shire Council are in accordance with applicable Australian Accounting Standards and requirements of the Act.

Any recommended changes need to be made prior to submitting the statements to the Auditor General for an audit opinion and lodgement of Council's annual report to the Minister by the due date of 30 September 2018.

The minutes of the Committee held on 6 September 2018 will be provided for Council's information at the 23 October 2018 Ordinary Council Meeting.

### **Financial Implications**

The financial statements are prepared by Council officers and are completed with resources available within operating budgets.

### **Council Plan**

Theme 5 High Performing Council  
Objective 5.1 Ensure Council is financially sustainable and has the capability to deliver strategic objectives  
Strategy 5.1.1 Establish long-term financial principles and incorporate into the long-term financial plan

### **Policy/Legal Implications**

Section 139 of the Local Government Act 1989 requires Council to establish an Audit and Risk Committee as an advisory committee of Council. The recommendation provided with this report ensures that Council is compliant with its statutory obligations.

### **Officer Direct or Indirect Interest**

No officer involved in the preparation of this report has any conflicts of interest.

### **Risk Assessment**

Council's financial statements are subject to a rigorous audit process to ensure their accuracy and to advise Council through these reports of any areas of concern. The Committee also has a responsibility to review the statements prior to Council adoption of the statements in principle, and to raise any matters of concern.

### **Social Considerations**

Not Applicable.

### **Community Engagement**

The financial statements will be published in the Annual Report.

### **Environmental Implications**

Not Applicable.

### **Communication**

Council's financial statements are published in Council's annual report, which is available for the public to view at Council's offices or on Council's website.

### **Options**

#### Option 1 – Approve the 2017-18 financial statements in principle

This option is recommended by officers as they have through a thorough audit process and have been endorsed by the Audit and Risk Committee, and will allow Council to discharge its reporting requirements under *the Local Government Act 1989*.

#### Option 2 – Do not approve the 2017-18 financial statements in principle

This option is not recommended by officers as it may lead to Council being non-compliant with the Local Government Act.

## **1.1 Annual Financial Statements 2017-18**

### ***Conclusion***

The annual financial reporting cycle provides a good opportunity for Council to reflect on its performance during the previous financial year. The process of compiling the financial statements is a lengthy one, and involves a number of Council officers who have committed considerable effort during this busy period. This effort ensures that financial reporting to the community continues to support Council's objective of maintaining sound financial practices.

**1.1 Annual Financial Statements 2017-18**

**APPENDIX 1 SURF COAST SHIRE COUNCIL FINANCIAL STATEMENTS 2017-18**



**Surf Coast Shire**  
**ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2018*

**Surf Coast Shire  
 Financial Report  
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*Surf Coast Shire*  
*2017/2018 Financial Report*

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### **Certification of the Financial Statements**

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

*John Brockway CPA*  
**Principal Accounting Officer**

**Date :** 11 September 2018

*Torquay*

In our opinion the accompanying financial statements present fairly the financial transactions of Surf Coast Shire Council for the year ended 30 June 2018 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

*Cr Clive Goldsworthy*  
**Councillor**

**Date :** 11 September 2018

*Torquay*

*Cr Margot Smith*  
**Councillor**

**Date :** 11 September 2018

*Torquay*

*Keith Baillie*  
**Chief Executive Officer**

**Date :** 11 September 2018

*Torquay*

**Surf Coast Shire**  
**2017/2018 Financial Report**

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Surf Coast Shire  
 2017/2018 Financial Report

**Comprehensive Income Statement  
 For the Year Ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Income</b>			
Rates and charges	2.1	49,778	47,847
Statutory fees and fines	2.2	2,107	1,706
User fees	2.3	6,697	6,226
Grants - operating	2.4	8,753	9,921
Grants - capital	2.4	6,439	3,236
Contributions - monetary	2.5	4,682	3,532
Contributions - non monetary	2.5	18,426	10,718
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	(240)	295
Other income	2.7	1,814	1,874
<b>Total income</b>		<b>98,456</b>	<b>85,355</b>
<b>Expenses</b>			
Employee costs	3.1	(28,930)	(27,815)
Materials and services	3.2	(23,965)	(24,740)
Depreciation	3.3	(12,729)	(10,994)
Bad and doubtful debts	3.4	(103)	(146)
Borrowing costs	3.5	(1,035)	(1,077)
Share of net loss of associates and joint ventures	5.3	-	(80)
Other expenses	3.6	(3,830)	(3,531)
<b>Total expenses</b>		<b>(70,592)</b>	<b>(68,383)</b>
<b>Surplus/(deficit) for the year</b>		<b>27,864</b>	<b>16,972</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	8.1	33,411	44,851
<b>Total comprehensive result</b>		<b>61,275</b>	<b>61,823</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Surf Coast Shire  
2017/2018 Financial Report

**Balance Sheet**  
**As at 30 June 2018**

	Note	2018 \$'000	As Reported 2017 \$'000	*Adjusted 2017 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4.1	1,769	2,414	2,414
Trade and other receivables	4.1	4,536	3,843	3,843
Other financial assets	4.1	45,020	36,380	36,380
Inventories	4.2	252	270	270
Non-current assets classified as held for sale	5.1	883	-	-
Other assets	4.2	630	562	562
<b>Total current assets</b>		<b>53,090</b>	<b>43,469</b>	<b>43,469</b>
<b>Non-current assets</b>				
Trade and other receivables	4.1	110	68	68
Investments in Geelong Regional Library Corporation	5.3	457	457	457
Property, infrastructure, plant and equipment	5.2	759,663	516,322	658,554
<b>Total non-current assets</b>		<b>760,230</b>	<b>516,847</b>	<b>659,079</b>
<b>Total assets</b>		<b>813,320</b>	<b>560,316</b>	<b>702,548</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	4.3	5,209	6,619	6,619
Trust funds and deposits	4.3	2,864	2,651	2,651
Provisions	4.6	5,539	6,028	6,028
Interest-bearing liabilities	4.4	977	675	675
Other Liabilities	4.5	253	137	137
<b>Total current liabilities</b>		<b>14,842</b>	<b>16,110</b>	<b>16,110</b>
<b>Non-current liabilities</b>				
Provisions	4.6	10,894	11,648	11,648
Interest-bearing liabilities	4.4	16,285	14,262	14,262
<b>Total non-current liabilities</b>		<b>27,179</b>	<b>25,910</b>	<b>25,910</b>
<b>Total liabilities</b>		<b>42,021</b>	<b>42,020</b>	<b>42,020</b>
<b>Net assets</b>		<b>771,299</b>	<b>518,296</b>	<b>660,528</b>
<b>Equity</b>				
Accumulated surplus		413,826	204,291	346,523
Reserves	8.1	357,473	314,005	314,005
<b>Total Equity</b>		<b>771,299</b>	<b>518,296</b>	<b>660,528</b>

\* Council brought to account Road formation assets that were previously unrecognised

The above balance sheet should be read in conjunction with the accompanying notes.

Surf Coast Shire  
2017/2018 Financial Report

Statement of Changes in Equity  
For the Year Ended 30 June 2018

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2018		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		660,528	346,523	281,200	32,805
Adjustment to opening accumulated surplus : take up of Land under roads assets at Fair Value *		49,496	49,496	-	-
Surplus/(deficit) for the year		27,864	27,864	-	-
Net asset revaluation increment/(decrement)		33,411	-	33,411	-
Transfers to other reserves		-	(41,021)	-	41,021
Transfers from other reserves		-	30,964	-	(30,964)
<b>Balance at end of the financial year</b>		<b>771,299</b>	<b>413,826</b>	<b>314,611</b>	<b>42,862</b>

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2017		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		452,356	187,235	236,349	28,772
Adjustment to opening accumulated surplus : Recognition of previously unrecognised Land assets		4,117	4,117	-	-
Adjustment to opening accumulated surplus : Recognition of previously unrecognised Road formation assets *		142,232	142,232	-	-
Surplus/(deficit) for the year		16,972	16,972	-	-
Net asset revaluation increment/(decrement)		44,851	-	44,851	-
Transfers to other reserves		-	(32,511)	-	32,511
Transfers from other reserves		-	28,478	-	(28,478)
<b>Balance at end of the financial year</b>		<b>660,528</b>	<b>346,523</b>	<b>281,200</b>	<b>32,805</b>

\* As these Assets relate to existing assets not previously recognised, corrections were made to the balance of accumulated surplus for the year ended 30 June 2018.

The above statement of changes in equity should be read in conjunction with the accompanying notes.



Surf Coast Shire  
 2017/2018 Financial Report

**Statement of Cash Flows**  
**For the Year Ended 30 June 2018**

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		49,871	47,733
Statutory fees and fines		2,069	1,700
User fees		6,945	6,538
Grants - operating		7,961	10,269
Grants - capital		6,704	3,375
Contributions - monetary		4,682	3,532
Interest received		1,806	1,800
Trust funds and deposits taken		8,320	6,534
Net GST refund		3,386	2,063
Employee costs		(28,731)	(27,357)
Materials and services		(31,861)	(29,131)
Trust funds and deposits repaid		(8,107)	(5,555)
<b>Net cash provided by/(used in) operating activities</b>		<b><u>23,045</u></b>	<b><u>21,501</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(16,625)	(13,275)
Proceeds from sale of property, infrastructure, plant and equipment		280	696
Payments for investments		(67,740)	(72,880)
Proceeds from sale of investments		59,100	61,100
<b>Net cash provided by/(used in) investing activities</b>		<b><u>(24,985)</u></b>	<b><u>(24,359)</u></b>
<b>Cash flows from financing activities</b>			
Finance costs		(1,030)	(1,078)
Proceeds from borrowings		3,000	-
Repayment of borrowings		(675)	(627)
<b>Net cash provided by/(used in) financing activities</b>		<b><u>1,295</u></b>	<b><u>(1,705)</u></b>
Net increase (decrease) in cash and cash equivalents		(645)	(4,563)
Cash and cash equivalents at the beginning of the financial year		2,414	6,977
<b>Cash and cash equivalents at the end of the financial year</b>		<b><u>1,769</u></b>	<b><u>2,414</u></b>
Financing arrangements	4.7		
Restrictions on cash assets	4.1		

The above statement of cash flow should be read in conjunction with the accompanying notes.

Surf Coast Shire  
 2017/2018 Financial Report

**Statement of Capital Works  
 For the Year Ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Property</b>			
Land		-	5
<b>Total land</b>		-	5
Buildings		4,711	3,193
<b>Total buildings</b>		4,711	3,193
<b>Total property</b>		4,711	3,198
<b>Plant and equipment</b>			
Plant, machinery and equipment		879	1,111
Fixtures, fittings and furniture		219	37
Computers and telecommunications		402	245
<b>Total plant and equipment</b>		1,500	1,393
<b>Infrastructure</b>			
Roads		7,653	4,169
Bridges		350	14
Footpaths and cycleways		601	477
Drainage and sewerage		215	647
Recreational, leisure and community facilities		178	1,736
Waste management		698	-
Parks, open space and streetscapes		599	1,359
Off street car parks		119	94
<b>Total infrastructure</b>		10,413	8,496
<b>Total capital works expenditure</b>		16,624	13,087
<b>Represented by:</b>			
New asset expenditure		6,162	6,420
Asset renewal expenditure		4,742	4,806
Asset expansion expenditure		72	496
Asset upgrade expenditure		5,648	1,365
<b>Total capital works expenditure</b>		16,624	13,087

The above statement of capital works should be read in conjunction with the accompanying notes.

## OVERVIEW

### Introduction

The Surf Coast Shire was established by an Order of the Governor in Council on 09 March 1994 and is a body corporate. The Council's main office is located at 1 Merrijig Drive, Torquay.

### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

### Significant accounting policies

#### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.6)
- the determination of landfill provisions (refer to Note 4.6)

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

**Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 27th June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

**1.1 Income and expenditure**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
	<b>2018</b>	<b>2018</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Ref</b>
<b>Income</b>				
Rates and charges	49,353	49,778	425	1
Statutory fees and fines	1,890	2,107	217	2
User fees	6,168	6,697	529	3
Grants - operating	5,832	8,753	2,921	4
Grants - capital	2,378	6,439	4,061	5
Contributions - monetary	3,554	4,682	1,128	6
Contributions - non monetary	12,580	18,426	5,846	7
Net gain/(loss) on disposal of property, infrastructure	1	(240)	(241)	8
Other income	883	1,814	931	9
<b>Total income</b>	<b>82,639</b>	<b>98,456</b>	<b>15,817</b>	
<b>Expenses</b>				
Employee costs	29,394	28,930	464	10
Materials and services	24,917	23,965	952	11
Bad and doubtful debts	80	103	(23)	
Depreciation	11,597	12,729	(1,132)	12
Borrowing costs	1,031	1,035	(4)	
Other expenses	1,669	3,830	(2,161)	13
<b>Total expenses</b>	<b>68,688</b>	<b>70,592</b>	<b>(1,904)</b>	
<b>Surplus/(deficit) for the year</b>	<b>13,951</b>	<b>27,864</b>	<b>13,913</b>	

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**(i) Explanation of material variations**

Variance	Item	Explanation	Explanation
1	Rates and charges	Interest on property debts budgeted in other income \$146k, Higher revenue from special charge schemes due to 2016/17 schemes being completed in 2017/18 \$124k, Supplementary rates and garbage charges higher than budgeted \$155k.	
2	Statutory fees and fines	Higher planning fees based on higher numbers of applications \$255k, higher volume subdivision and plan checking fees \$213k, and higher other statutory fees and fines \$19k, offset by lower infringement revenue due to greater levels of compliance (\$270k).	
3	User fees	Higher waste service fees (including gate fees) \$612k, offset by lower kindergarten fees due to lower enrolments and greater number of concession placements (\$61k), and net other user fees (\$22k).	
4	Grants - operating	Variance includes Grants Commission pre-payment of 2018-19 allocation \$2,144k, higher 2017-18 Grants Commission allocation \$302k, Higher Aged Care grants based on service volume \$297k, and higher other grants \$178k	
5	Grants - capital	Additional Grant funds received, made up of Cape Otway Road Widening \$1,100k, Roads to Recovery \$700k, Local roads to market program \$607k, Blackgate Road \$523k, Anglesea Bowls Club \$500k, Changing Places program \$200k, Bells Beach Recreation Reserve \$115k, and other capital grants \$316k.	
6	Contributions - monetary	Higher Open Space contributions \$597k, higher project contributions (19 individual projects) \$303k, higher developer and other monetary contributions \$228k.	
7	Contributions - non monetary	Higher contributions from developers due to increased development \$5,846k.	
8	Net loss on disposal of property, infrastructure, plant and equipment	Higher losses from sale of land and buildings (\$350k), partially offset by higher gains on sale of plant and equipment \$110k.	
9	Other Income	Higher other income due to Landfill Rehabilitation Provision adjustment \$797k, higher interest earned on investments \$287k, interest on property rates budgeted as other income now reflected in rates and charges (\$153k).	
10	Employee costs	Lower recurrent employee costs \$806k, made up mainly of: vacancies \$490k, lower employee costs for Aged & family services due to use of contractors \$258k, Lower Workcover premium \$179k, and other recurrent variances (\$121k), partially offset by higher expensed capital works (\$500k) - budgeted in materials and services, and lower employee costs on projects \$158k.	
11	Materials and services	Higher than budgeted recurrent costs (\$503k), due to greater use of contractors (\$217k) - offset by higher grants and lower employee costs, higher legal costs (\$350k), Higher EPA landfill levies (\$111k) - offset by increased gate fee revenue, higher facility maintenance costs (\$89k), offset by lower other recurrent materials and services \$264k. Recurrent costs offset by lower than budgeted expensed capital works \$817k (mostly offset in employee costs), and lower than budgeted expenditure on operational projects \$638k, mainly due to incomplete projects carried forward to 2018/19, including Public Safety Infrastructure \$200k, Environmental Leadership Program \$169k, and Municipal Strategic Statement Review \$88k.	
12	Depreciation	Higher depreciation on Buildings due to higher opening asset balances from 2016/17 revaluation (\$768k), higher depreciation on heavy plant (\$342k) and fleet vehicles (\$115k) due to depreciation budgeted using reducing balance method not straight line method, and higher depreciation on other asset classes (\$134k), offset by lower depreciation on footpaths due to 2016/17 revaluation \$227k.	
13	Other expenses	Higher asset write offs (\$2,304k) mainly due to asset upgrade and renewal projects, partially offset by savings in lease and rental costs \$98k and lower other costs \$45k.	

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Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
<b>Property</b>				
Land	1	-	(1)	
<b>Total Land</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	
Buildings	5,280	4,711	(569)	1
<b>Total Buildings</b>	<b>5,280</b>	<b>4,711</b>	<b>(569)</b>	
<b>Total Property</b>	<b>5,281</b>	<b>4,711</b>	<b>(570)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	1,600	879	(721)	2
Fixtures, fittings and furniture	5	219	214	3
Computers and telecommunications	998	402	(596)	4
<b>Total Plant and Equipment</b>	<b>2,603</b>	<b>1,500</b>	<b>(1,103)</b>	
<b>Infrastructure</b>				
Roads	7,604	7,653	49	
Bridges	40	350	310	5
Footpaths and cycleways	271	601	330	6
Drainage and sewerage	353	215	(138)	7
Recreational, leisure and community facilities	774	178	(596)	8
Waste management	-	698	698	9
Parks, open space and streetscapes	1,215	599	(616)	10
Off street car parks	-	119	119	11
<b>Total Infrastructure</b>	<b>10,257</b>	<b>10,413</b>	<b>156</b>	
<b>Total Capital Works Expenditure</b>	<b>18,141</b>	<b>16,624</b>	<b>(1,517)</b>	
<b>Represented by:</b>				
New asset expenditure	6,224	6,162	(62)	
Asset renewal expenditure	5,751	4,742	(1,009)	
Asset expansion expenditure	-	72	72	
Asset upgrade expenditure	6,166	5,648	(518)	
<b>Total Capital Works Expenditure</b>	<b>18,141</b>	<b>16,624</b>	<b>(1,517)</b>	

(i) Explanation of material variations

Variance Ref	Item & Explanation
1	<p><b>Buildings</b></p> <p>Lower Spend on the Kurrambee Myaring Community Centre was due to a lower carry forward from 2016/17 (\$1.2m). Other variances to budget relate to incomplete projects being carried forward into 2018/19 including the Spring Creek Netball Facility (\$372k). This was partially offset by higher capital spend on the Anglesea Bowls Club Upgrade \$1.0m following the receipt of additional grant funding during 2017/18.</p>
2	<p><b>Plant, machinery and equipment</b></p> <p>The Heavy Plant Replacement program spend was lower than budget \$707k, mainly due to decisions to delay purchasing two major pieces of heavy plant until 2018/19.</p>
3	<p><b>Fixtures, fittings and furniture</b></p> <p>Following the completion of the Kurrambee Myaring Community Centre, a number of fixture, fittings and furniture items were capitalised during 2017/18 which were originally budgeted under Buildings.</p>
4	<p><b>Computers and telecommunications</b></p> <p>Council continues to strategically implement the Digital Transformation program. Incomplete projects were carried forward into 2018/19 (\$288k). During 2017/18 there were also a number of Digital Transformation projects that were expensed which included: Digital Transformation Concept Development (\$161k), General Ledger Restructure (\$86k), Customer View (\$29k), Trapeze Software (\$12k), Core Systems (\$10k) and Authority Upgrade (\$9k).</p>
5	<p><b>Bridges</b></p> <p><b>Significant flooding events in September 2017 led to unbudgeted capital expenditure on bridges.</b> The following projects are included in works in progress: Stoney Creek Bridge Restoration \$302k, Gnarwarre Road Culvert Renewal \$20k and Cape Otway Road Bridge Strengthening \$17k.</p>
6	<p><b>Footpaths and cycleways</b></p> <p>A number of footpath and cycleway projects were originally budgeted under other infrastructure categories and included: Various Roads projects throughout the Surf Coast Shire \$273k and a number of Parks and Open Space projects \$57k.</p>
7	<p><b>Drainage and sewerage</b></p> <p>Gnarwarre Rd culvert project carried forward into 2018/19 (\$89k), expensed capital works relating to the Drainage Renewal program (\$52k).</p>
8	<p><b>Recreational, leisure and community facilities</b></p> <p>Lower carry forward project funds from 2016/17 compared to the adopted budget, including Playground Renewal program (\$170k), Tennis Court Renewal program (\$120k) and other projects (\$123k) due to these projects being completed in 2016/17. Expensed capital works was also higher than budget (\$183k).</p>
9	<p><b>Waste management</b></p> <p>No budget was assigned in the 2017/18 budget for waste management specifically as waste expenditure is typically expensed. Works in progress at the 30 June 2018 included: Part A Stage 3D Liner Construction \$436k, Part B Stage 3C Bund Wall/Sideliner Extension \$182k, Anglesea Landfill Stage 3D Liner \$46k and Anglesea Landfill Extend Cell Side Wall Liner Stage C \$34k.</p>
10	<p><b>Parks, open space and streetscapes</b></p> <p>Expensed capital works (\$155k), the Anglesea Transfer Station Upgrade Stage 2 (\$140k) did not progress due to tender responses above budget, and projects carried forward into 2018/19 including the Anglesea Transfer Station Taromatic System (\$102k), Winchelsea Entrance Sculptures (\$54k), Painkalac Project (\$35k), Deferred Landscaping (\$35k), Grass Tree Park (\$16k), Stribbling Reserve Stair Renewal (\$13k), Fencing Renewal Program (\$8k), Torquay Deep Creek Master Plan (\$4k) and other projects (\$54k).</p>
11	<p><b>Off street car parks</b></p> <p>No budget was assigned in the 2017/18 budget for offset car parks specifically, with the budget incorporated into the scope of roads projects. During 2017/18, offstreet car park capital expenditure included: Kurrambee Myaring Community Centre car park \$66k, Connewarre Reserve car park \$23k, Grass Tree Park car park \$21k and Freshwater Creek Hall and Recreation Reserve car park \$9k.</p>

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<b>Note 2 Funding for the delivery of our services</b>	<b>2018</b>	<b>2017</b>
<b>2.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the total market value of the land and buildings and other improvements.

The valuation base used to calculate general rates for 2017/18 was \$14,430 million (2016/17 \$14,093 million).

General Rates	38,010	36,679
Municipal charge	4,344	4,175
Waste management charge	6,745	6,355
Special rates and charges	145	187
Supplementary rates and rate adjustments	388	326
Interest on rates and charges	146	125
<b>Total rates and charges</b>	<b>49,778</b>	<b>47,847</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

**2.2 Statutory fees and fines**

Infringements and costs	572	730
Town planning fees	752	494
Land information certificates	46	41
Subdivision fees	631	331
Other statutory fees and fines	106	110
<b>Total statutory fees and fines</b>	<b>2,107</b>	<b>1,706</b>

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

**2.3 User fees**

Aged and health services	515	490
Leisure centre and recreation	905	914
Child care/children's programs	725	747
Registration and other permits	613	584
Building services	152	81
Waste management services	2,731	2,366
Royalties	359	424
Gravel pits	93	112
Lease rentals	57	68
Other fees and charges	547	440
<b>Total user fees</b>	<b>6,697</b>	<b>6,226</b>

User fees are recognised as revenue when the service has been provided or council has otherwise earned the income.



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2.4 Funding from other levels of government	2018	2017
Grants were received in respect of the following :	\$'000	\$'000
<b>Summary of grants</b>		
Commonwealth funded grants	8,336	8,422
State funded grants	6,856	4,735
<b>Total grants received</b>	<u>15,192</u>	<u>13,157</u>
<b>(a) Operating Grants</b>		
<b>    Recurrent - Commonwealth Government</b>		
Financial Assistance Grants	4,362	5,617
Family day care	56	45
Home and community care	739	415
Other	108	58
<b>    Recurrent - State Government</b>		
Home and community care	1,245	1,212
School crossing supervisors	64	42
Maternal and child health	256	249
Recreation	-	-
Community safety	240	240
Kindergartens	1,338	1,514
Environmental planning	65	23
Youth Services	103	102
Other	100	121
<b>    Total recurrent operating grants</b>	<u>8,676</u>	<u>9,638</u>
<b>    Non-recurrent - State Government</b>		
Community safety	-	138
Environmental planning	97	40
Recreation	5	-
Other	(25)	105
<b>    Total non-recurrent operating grants</b>	<u>77</u>	<u>283</u>
<b>Total operating grants</b>	<u>8,753</u>	<u>9,921</u>
<b>(b) Capital Grants</b>		
<b>    Recurrent - Commonwealth Government</b>		
Roads to recovery	1,394	2,287
<b>    Total recurrent capital grants</b>	<u>1,394</u>	<u>2,287</u>
<b>    Non-recurrent - Commonwealth Government</b>		
Recreation	500	-
Roads	1,100	-
Other	77	-
<b>    Non-recurrent - State Government</b>		
Buildings	235	273
Roads	2,840	336
Recreation	178	305
Environmental planning	115	15
Other	-	20
<b>    Total non-recurrent capital grants</b>	<u>5,045</u>	<u>949</u>
<b>Total capital grants</b>	<u>6,439</u>	<u>3,236</u>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	959	1,951
Received during the financial year and remained unspent at balance date	995	790
Received in prior years and spent during the financial year	(796)	(1,782)
<b>Balance at year end</b>	<u>1,158</u>	<u>959</u>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

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	2018 \$'000	2017 \$'000
<b>2.5 Contributions</b>		
Monetary	4,682	3,532
Non-monetary	18,426	10,718
<b>Total contributions</b>	<b>23,108</b>	<b>14,250</b>

Contributions of non monetary assets were received in relation to the following asset classes.

Land	378	1,210
Buildings	-	333
Roads	9,149	5,832
Other infrastructure	8,899	3,343
<b>Total non-monetary contributions</b>	<b>18,426</b>	<b>10,718</b>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

**2.6 Net gain(loss) on disposal of property, infrastructure, plant and equipment**

Proceeds of sale	278	696
Written down value of assets disposed	(518)	(401)
<b>Total net gain(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(240)</b>	<b>295</b>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

**2.7 Other income**

Interest	1,017	1,021
Future landfill rehabilitation adjustment	797	853
<b>Total other income</b>	<b>1,814</b>	<b>1,874</b>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

**Note 3 The cost of delivering services**

**3.1 Employee costs**

Wages and salaries	24,489	23,598
WorkCover	508	480
Casual staff	863	710
Superannuation	2,314	2,261
Fringe benefits tax	195	244
Other	561	522
<b>Total employee costs</b>	<b>28,930</b>	<b>27,815</b>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	51	56
Employer contributions payable at reporting date.	-	-

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,468	1,412
Employer contributions - other funds	829	735
Employer contributions payable at reporting date.	-	-

Refer to note 8.3 for further information relating to Council's superannuation obligations.

**3.2 Materials and services**

Contract payments	6,657	8,381
General maintenance	261	203
Utilities	1,216	1,230
Office administration	824	774
Information technology	1,026	906
Insurance	627	567
Consultants	1,762	2,084
Fuel	633	617
Grants, Contributions & Sponsorship	1,198	2,166
Materials	1,728	1,400
Sub-contractors	5,305	3,780
Royalties	1,257	1,192
Other	1,471	1,440
<b>Total materials and services</b>	<b>23,965</b>	<b>24,740</b>

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	2018	2017
	\$'000	\$'000
<b>3.3 Depreciation</b>		
Property	2,851	2,102
Plant and equipment	1,594	1,095
Infrastructure	8,284	7,797
<b>Total depreciation</b>	<u>12,729</u>	<u>10,994</u>

Refer to note 5.2 for a more detailed breakdown of depreciation charges and accounting policy.

<b>3.4 Bad and doubtful debts</b>		
Infringement debtors	102	136
Rates debtors	1	8
Other debtors	-	2
<b>Total bad and doubtful debts</b>	<u>103</u>	<u>146</u>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	79	96
New Provisions recognised/(used) during the year	(4)	(17)
<b>Balance at end of year</b>	<u>75</u>	<u>79</u>

Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

**3.5 Borrowing costs**

Interest - Borrowings	1,035	1,077
<b>Total borrowing costs</b>	<u>1,035</u>	<u>1,077</u>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

**3.6 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement	45	43
Auditors' remuneration - Internal	64	79
Councillors' allowances	304	281
Operating lease rentals	700	718
Assets written-off / impaired	2,717	2,410
<b>Total other expenses</b>	<u>3,830</u>	<u>3,531</u>

**Note 4 Our financial position**

**4.1 Financial assets**

**(a) Cash and cash equivalents**

Cash on hand	5	5
Cash at bank	1,764	2,409
<b>Total cash and cash equivalents</b>	<u>1,769</u>	<u>2,414</u>

**(b) Other financial assets**

Term deposits - current	45,020	36,380
<b>Total other financial assets</b>	<u>45,020</u>	<u>36,380</u>
<b>Total financial assets</b>	<u>45,020</u>	<u>36,380</u>

<b>Total cash and cash equivalents and financial assets</b>	<u>46,789</u>	<u>38,794</u>
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Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 4.3)	2,864	2,651
Total restricted funds	<u>2,864</u>	<u>2,651</u>
Total unrestricted cash and cash equivalents and financial assets	<u>43,925</u>	<u>36,143</u>

**Intended allocations**

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Council Allocated reserves as per Note 8.1(b) excluding Accumulated Unallocated Cash	37,844	27,745
Total funds subject to intended allocations	<u>37,844</u>	<u>27,745</u>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

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	2018	2017
	\$'000	\$'000
(c) Trade and other receivables		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	1,364	1,457
Special rate assessment	9	34
Infringement debtors	457	423
Provision for doubtful debts - infringements	(75)	(79)
<i>Non statutory receivables</i>		
Net GST receivable	506	874
Other debtors	2,275	1,134
Total current trade and other receivables	<u>4,536</u>	<u>3,843</u>
<b>Non-current</b>		
<i>Statutory receivables</i>		
Special rate scheme	110	68
Total non-current trade and other receivables	<u>110</u>	<u>68</u>
<b>Total trade and other receivables</b>	<u><b>4,646</b></u>	<u><b>3,911</b></u>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

**(j) Ageing of Receivables**

The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	2,056	683
Past due by up to 30 days	99	155
Past due between 31 and 180 days	120	296
Total trade & other receivables	<u>2,275</u>	<u>1,134</u>

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<b>4.2 Non-financial assets</b>	<b>2018</b>	<b>2017</b>
<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
Inventories held for distribution	188	214
Inventories held for sale	64	56
<b>Total inventories</b>	<b>252</b>	<b>270</b>
<p>Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.</p>		
<b>(b) Other assets</b>		
Prepayments	276	201
Accrued income	354	361
<b>Total other assets</b>	<b>630</b>	<b>562</b>
<b>4.3 Payables</b>		
<b>(a) Trade and other payables</b>		
Trade payables	3,906	5,505
Accrued expenses	1,243	1,114
<b>Total trade and other payables</b>	<b>5,209</b>	<b>6,619</b>
<b>(b) Trust funds and deposits</b>		
Refundable deposits	2,889	1,703
Fire services levy	-	946
Other refundable deposits	2	2
<b>Total trust funds and deposits</b>	<b>2,891</b>	<b>2,651</b>

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

*Purpose and nature of items*

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

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4.4 Interest-bearing liabilities	2018 \$'000	2017 \$'000
<b>Current</b>		
Borrowings - secured *	969	667
Borrowings - unsecured	8	8
	<u>977</u>	<u>675</u>
<b>Non-current</b>		
Borrowings - secured *	16,267	14,235
Borrowings - unsecured	18	27
	<u>16,285</u>	<u>14,262</u>
<b>Total</b>	<u>17,262</u>	<u>14,937</u>

\* Borrowings are secured by Council's general rates.

(a) The maturity profile for Council's borrowings is:

Not later than one year	977	675
Later than one year and not later than five years	7,960	6,915
Later than five years	8,325	7,347
	<u>17,262</u>	<u>14,937</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method. The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

#### 4.5 Other Liabilities

Home Care packages	253	137
	<u>253</u>	<u>137</u>

#### 4.6 Provisions

	Employee	Landfill restoration	Total
	\$ '000	\$ '000	\$ '000
<b>2018</b>			
Balance at beginning of the financial year	6,167	11,509	17,676
Additional provisions/(reduction in provisions)	2,613	(721)	1,892
Amounts used	(2,430)	(570)	(3,000)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(58)	(77)	(135)
Balance at the end of the financial year	<u>6,292</u>	<u>10,141</u>	<u>16,433</u>
<b>2017</b>			
Balance at beginning of the financial year	5,844	14,175	20,019
Additional provisions/(reduction in provisions)	2,599	(265)	2,334
Amounts used	(2,261)	(1,814)	(4,075)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(15)	(587)	(602)
Balance at the end of the financial year	<u>6,167</u>	<u>11,509</u>	<u>17,676</u>

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	2018 \$'000	2017 \$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	1,628	1,608
Long service leave	633	617
	<u>2,261</u>	<u>2,225</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	304	350
Long service leave	2,974	2,785
	<u>3,278</u>	<u>3,135</u>
<b>Total current employee provisions</b>	<u>5,539</u>	<u>5,360</u>
<b>Non-current</b>		
Long service leave	753	807
<b>Total non-current employee provisions</b>	<u>753</u>	<u>807</u>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	5,539	5,360
Non-current	753	807
<b>Total aggregate carrying amount of employee provisions</b>	<u>6,292</u>	<u>6,167</u>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

*Key assumptions:*

- discount rate	2.112%	1.699%
- inflation rate	2%	2%
- settlement period	5.16 years	4.94 years

**(b) Landfill restoration**

Current	-	688
Non-current	10,141	10,941
	<u>10,141</u>	<u>11,509</u>

Council is obligated to restore the Angelsea site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of fill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

*Key assumptions:*

- discount rate	2.581%	1.20%
- inflation rate	2.164%	4.000%
- final settlement year (estimated completion of Site aftercare)	2057	2057

**4.7 Financing arrangements**

The Council has the following funding arrangements in place as at 30 June 2018:

Bank overdraft	2,300	2,300
Credit card facilities	100	100
Other facilities	17,262	14,937
<b>Total facilities</b>	<u>19,662</u>	<u>17,337</u>
Used facilities	(17,289)	(14,957)
<b>Unused facilities</b>	<u>2,373</u>	<u>2,380</u>

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4.8 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000		
<b>Operating</b>					
Garbage collection	3,583	2,517	1,526	1,913	9,539
Consultancies	50	-	-	-	50
Other	130	-	-	-	130
<b>Total</b>	<b>3,763</b>	<b>2,517</b>	<b>1,526</b>	<b>1,913</b>	<b>9,719</b>
<b>Capital</b>					
Construction	1,542	-	-	-	1,542
Other	892	-	-	-	892
<b>Total</b>	<b>2,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,434</b>

2017	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000		
<b>Operating</b>					
Garbage collection	3,095	3,071	2,724	-	8,890
Cleaning contracts for council buildings	512	-	-	-	512
Other	356	111	101	-	568
<b>Total</b>	<b>3,963</b>	<b>3,182</b>	<b>2,825</b>	<b>-</b>	<b>9,970</b>
<b>Capital</b>					
Construction	4,036	-	-	-	4,036
<b>Total</b>	<b>4,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,036</b>

Operating lease commitments

2018	2017
\$'000	\$'000

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	577	680
Later than one year and not later than five years	713	655
Later than five years	201	266
<b>Total</b>	<b>1,491</b>	<b>1,601</b>

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Note 5 Assets we manage

5.1 Non current assets classified as held for sale

Cost of acquisition	883	-
<b>Total non current assets classified as held for sale</b>	<b>883</b>	<b>-</b>

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.



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5.2 Property, infrastructure, plant and equipment  
 Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017							Recognition of previously unrecognised Land under roads assets	At Fair Value 30 June 2018	
	\$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000		Transfers \$'000	\$'000
Property	203,889	4,439	378	26,199	(2,851)	(956)	-	1,931	49,497	282,526
Plant and equipment	6,027	1,200	-	-	(1,594)	(252)	-	37	-	5,418
Infrastructure	442,255	8,614	18,048	7,213	(8,264)	(2,026)	-	3,020	-	468,840
Work in progress	6,383	2,371	-	-	-	-	(4)	(5,871)	-	2,879
	<b>658,554</b>	<b>16,624</b>	<b>18,426</b>	<b>33,412</b>	<b>(12,729)</b>	<b>(3,234)</b>	<b>(4)</b>	<b>(883)</b>	<b>49,497</b>	<b>759,663</b>

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	2,856	273	-	(2,819)	310
Plant and equipment	116	299	-	(37)	378
Infrastructure	3,411	1,799	(4)	(3,015)	2,191
Total	<b>6,383</b>	<b>2,371</b>	<b>(4)</b>	<b>(5,871)</b>	<b>2,879</b>

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Asset recognition thresholds and depreciation periods		Depreciation Period	Threshold Limit \$'000
Heritage Buildings		100 - 150 years	5
Buildings - Complex	Structure	100 years	5
	Roof	50 years	5
	Fit Out	25 years	5
	Services	20 years	5
Buildings - Simple		40 years	5
Plant, machinery and equipment		2 - 15 years	1
Fixtures, fittings and furniture		3 - 10 years	1
Computers and telecommunications		3 - 10 years	1
Sealed Road Pavements	High Traffic	90 years	5
	Low Traffic	100 years	5
	Concrete	40 years	5
Unsealed Road Pavements		16 years	5
	High Traffic	20 - 25 years	5
Seals	Low Traffic	15 - 18 years	5
	Spray Seal	25 - 30 years	5
Road Kerb and Channel	Asphalt	70 years	5
		25 - 80 years	5
Bridges and Major Culverts	Timber Bridges	40 years	5
	Other Bridges	80 - 140 years	5
Footpaths and Cycleways	Concrete	65 years	5
	Asphalt	30 years	5
	Brick	50 years	5
	Gravel	20 years	5
Drainage and Sewerage	Drainage	80 - 150 years	5
	Sewerage	80 years	5
	Septic Tanks	30 years	5
Recreation, leisure and community facilities		10 - 40 years	5
Parks, Open Spaces and streetscapes		10 - 50 years	5
	Sealed Pavement	100 years	5
Off Street car parks	Unsealed Pavement	20 years	5
	Sealed Pavement	15 - 30 years	5
			5

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(a) Property

	Land - specialised	Land - non specialised	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	121,763	5,973	127,736	82,805	11,801	94,606	2,856	225,198
Accumulated depreciation at 1 July 2017	-	-	-	(15,853)	(2,600)	(18,453)	-	(18,453)
	121,763	5,973	127,736	66,952	9,201	76,153	2,856	206,745
Take up of Land under roads assets	49,497	-	49,497	-	-	-	-	49,497
	171,260	5,973	177,233	66,952	9,201	76,153	2,856	256,242
<b>Movements in fair value</b>								
Additions	-	-	-	4,357	82	4,439	273	4,712
Contributions	-	378	378	-	-	-	-	378
Revaluation	25,709	490	26,199	-	-	-	-	26,199
Disposal	(51)	(46)	(97)	(341)	(957)	(1,298)	-	(1,395)
Write-off	-	-	-	-	-	-	-	-
Transfers	-	(631)	(631)	2,172	(13)	2,159	(2,819)	(1,291)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	25,658	191	25,849	6,188	(888)	5,300	(2,546)	28,603
<b>Movements in accumulated depreciation</b>								
Depreciation	-	-	-	(2,561)	(290)	(2,851)	-	(2,851)
Accumulated depreciation of disposals	-	-	-	431	8	439	-	439
Revaluation	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	-	-	-	390	13	403	-	403
	-	-	-	(1,740)	(269)	(2,009)	-	(2,009)
At fair value 30 June 2018	196,918	6,164	203,082	88,993	10,913	99,906	310	303,298
Accumulated depreciation at 30 June 2018	-	-	-	(17,593)	(2,869)	(20,462)	-	(20,462)
	196,918	6,164	203,082	71,400	8,044	79,444	310	282,836

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(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	7,596	1,257	3,176	116	12,145
Accumulated depreciation at 1 July 2017	(2,894)	(643)	(2,465)	-	(6,002)
	4,702	614	711	116	6,143
<b>Movements in fair value</b>					
Additions	802	218	180	299	1,499
Contributions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposal	(605)	-	(235)	-	(840)
Write-off	-	-	-	-	-
Transfers	-	-	37	(37)	-
Impairment losses recognised in operating result	-	-	-	-	-
	197	218	(18)	262	659
<b>Movements in accumulated depreciation</b>					
Depreciation	(1,216)	(125)	(253)	-	(1,594)
Accumulated depreciation of disposals	386	-	202	-	588
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	(830)	(125)	(51)	-	(1,006)
At fair value 30 June 2018	7,793	1,475	3,158	378	12,804
Accumulated depreciation at 30 June 2018	(3,724)	(768)	(2,516)	-	(7,008)
	4,069	707	642	378	5,796

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(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage and sewerage	Recreational, leisure and community	Parks open spaces and streetscapes	Off street car parks	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017*	379,680	5,024	27,011	69,479	19,470	15,003	10,959	3,411	530,037
Accumulated depreciation at 1 July 2017	(38,691)	(1,664)	(7,552)	(21,656)	(8,049)	(5,847)	(913)	-	(84,372)
	340,989	3,360	19,459	47,823	11,421	9,156	10,046	3,411	445,665
<b>Movements in fair value</b>									
Additions	7,260	-	359	215	173	488	119	1,799	10,413
Contributions	9,149	-	2,201	5,754	31	563	350	-	18,048
Revaluation	-	-	488	-	4,997	(596)	-	-	4,889
Disposal	(2,191)	-	(156)	(122)	(109)	(321)	(84)	(4)	(2,987)
Write-off	-	-	-	-	-	-	-	-	-
Transfers	1,370	-	113	421	155	417	544	(3,015)	5
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	15,588	-	3,005	6,268	5,247	551	929	(1,220)	30,368
<b>Movements in accumulated depreciation</b>									
Depreciation	(4,597)	(66)	(476)	(904)	(1,216)	(895)	(130)	-	(8,284)
Revaluation	-	-	318	-	511	1,495	-	-	2,324
Accumulated depreciation of disposals	607	-	50	40	65	172	24	-	958
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	(3,990)	(66)	(108)	(864)	(640)	772	(106)	-	(5,002)
At fair value 30 June 2018	395,268	5,024	30,016	75,747	24,717	15,554	11,888	2,191	560,405
Accumulated depreciation at 30 June 2018	(42,681)	(1,730)	(7,660)	(22,520)	(8,689)	(5,075)	(1,019)	-	(89,374)
	352,587	3,294	22,356	53,227	16,028	10,479	10,869	2,191	471,031

\* Recognition of previously unrecognised Road formation assets of \$142,231

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

*Land under roads*

Land under roads is brought to account at fair value.

*Depreciation*

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

*Repairs and maintenance*

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

*Valuation of land and buildings*

Valuation of land were undertaken by a qualified independent valuer, Opteon as at 31 December 2016. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement. Valuation of Building assets has been determined in accordance with a valuation undertaken by independent valuer, Assectic and Torquay Building Service as at 31 March 2017.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	6,164	-	31/12/2016
Specialised land	-	-	196,918	31/12/2016
Buildings	-	8,044	71,400	31/03/2017
Total	-	14,208	268,318	

**Valuation of infrastructure**

Valuation of Road and Bridge assets has been determined in accordance with a valuation undertaken by independent valuer, Pavement Management Services and the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 30 June 2017. Valuation of Footpath assets has been determined in accordance with a valuation undertaken by Infrastructure Management Group as at 30 June 2018. Valuation of Recreation and Parks and Open Space has been determined in accordance with a valuation undertaken by the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 30 June 2018. Valuation of Drainage has been determined in accordance with a valuation undertaken by the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 30 June 2016.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	352,587	30/06/2017
Bridges	-	-	3,294	30/06/2017
Footpaths and cycleways	-	-	22,356	30/06/2018
Drainage and sewerage	-	-	53,227	30/06/2016
Recreational, leisure and community facilities	-	-	16,028	30/06/2018
Parks, open space and streetscapes	-	-	10,479	30/06/2018
Off street car parks	-	-	10,869	30/06/2017
Total	-	-	468,840	

**Description of significant unobservable inputs into level 3 valuations**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.34 and \$2,966 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$110 to \$1,667 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 0 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018 \$'000	2017 \$'000
<b>Reconciliation of specialised land</b>		
Land under roads	53,046	3,600
Parks and reserves	126,578	104,279
Public use	8,850	7,176
Waste	291	266
Car Parks	8,153	6,442
<b>Total specialised land</b>	<b>196,918</b>	<b>121,763</b>

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5.3 Investments in associates, joint arrangements and subsidiaries	2018	2017
	\$'000	\$'000
<b>(a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Geelong Regional Library Corporation	457	457
<b>Geelong Regional Library Corporation</b>		
<i>Background</i>		
The Geelong Regional Library Corporation (GRLC) was formed under the provisions of sections 196 and 197 of the Local Government Act, 1989 on 4 March 1997 to provide library services within the local government areas of: Borough of Queenscliff, City of Greater Geelong, Golden Plains Shire and Surf Coast Shire. Council holds 3.85% (2017, 3.85%) of equity in the corporation. Council has one director on the Board of seven. Council has the ability to influence rather than control its operations.		
<b>Fair value of Council's investment in Geelong Regional Library Corporation</b>	<b>457</b>	<b>457</b>
<b>Council's share of accumulated surplus(deficit)</b>		
Council's share of accumulated surplus(deficit) at start of year	457	537
Reported surplus(deficit) for year	-	(80)
Council's share of accumulated surplus(deficit) at end of year	<b>457</b>	<b>457</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	457	537
Share of surplus(deficit) for year	-	(80)
Carrying value of investment at end of year	<b>457</b>	<b>457</b>

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

**Committees of management**

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full. The following special committees are not included in this financial report as their aggregate income is immaterial and they prepare their own financial reports separately :

- Deans Marsh Public Hall and Memorial Park Committee of Management
- Stribling Reserve Committee of Management
- Anderson Roadknight Reserve Committee of Management
- Eastern Reserve Committee of Management
- Modewarre Memorial Hall and Reserve Committee of Management
- Connemara Reserve Committee of Management
- Globe Theatre Committee of Management
- Anglesea Bike Park



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	2018	2017
	No.	No.
<b>Note 6 People and relationships</b>		
<b>6.1 Council and key management remuneration</b>		
<b>(a) Related Parties</b>		
<i>Parent entity</i>		
Surf Coast Shire is the parent entity.		
<i>Subsidiaries and Associates</i>		
Interests in associates are detailed in Note 5.3.		
<b>(b) Key Management Personnel</b>		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
<b>Councillors</b>		
Councillor David Bell - Mayor (08/11/2017 to current)		
Councillor Brian McKitterick - Mayor (01/07/2017 to 08/11/2017)		
Councillor Rose Hodge		
Councillor Margot Smith		
Councillor Clive Goldsworthy		
Councillor Heather Wellington		
Councillor Carol McGregor		
Councillor Libby Coker		
Councillor Martin Duke		
<b>Total Number of Councillors</b>	9	10
<b>Chief Executive Officer and other Key Management Personnel</b>		
Keith Baillie		
Anne Howard		
Chris Pike		
Ransce Salan		
<b>Total Number of Other Key Management Personnel</b>	4	6
<b>Total Key Management Personnel</b>	<u>13</u>	<u>16</u>
<b>(c) Remuneration of Key Management Personnel</b>		
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,161	1,097
Post-employment benefits	81	77
Long-term benefits	20	19
Termination benefits	-	-
<b>Total</b>	<u>1,262</u>	<u>1,193</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	2
\$20,000 - \$29,999	7	6
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	-	1
\$110,000 - \$119,999	-	1
\$200,000 - \$209,999	1	2
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	1	-
\$280,000 - \$289,999	-	1
\$290,000 - \$299,999	1	-
	<u>13</u>	<u>16</u>

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	2018	2017
	\$'000	\$'000
<b>(d) Senior Officer Remuneration</b>		
A Senior Officer is an officer of Council, other than Key Management Personnel, who: <ul style="list-style-type: none"> <li>a) has management responsibilities and reports directly to the Chief Executive; or</li> <li>b) whose total annual remuneration exceeds \$145,000</li> </ul>		
The number of Senior Officers are shown below in their relevant income bands:		
	2018	2017
Income Range:	<b>No.</b>	<b>No.</b>
Less than \$145,000	3	1
\$145,000 - \$149,999	3	6
	<u>6</u>	<u>7</u>
Total Remuneration for the reporting year for Senior Officers included above, amounted to	593	975

**6.2 Related party disclosure**

**(a) Transactions with related parties**

During the period Council entered into the following transactions with related parties: - -

**(b) Outstanding balances with related parties**

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

**(c) Loans to/from related parties**

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows: - -

**(d) Commitments to/from related parties**

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows: - -

**Note 7 Managing uncertainties**

**7.1 Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

**(a) Contingent assets**

**Operating lease receivables**

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2018 \$'000	2017 \$'000
Not later than one year	64	63
Later than one year and not later than five years	176	173
Later than five years	356	289
	<u>596</u>	<u>525</u>

**(b) Contingent liabilities**

**Superannuation**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

*Future superannuation contributions*

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 are \$46,762.92.

**Landfill**

Council operates a landfill at Anglesea. Council will have to carry out site rehabilitation works in the future. At balance date Council provided a Bank Guarantee to State of Victoria - Environment Protection Authority. The guarantee provides financial assurance up to \$545,000 for remedial action as defined in section 3.1 EPA Publication 777 Determination of financial assurance for Landfills, September 2001.

**(c) Guarantees for loans to other entities**

Council has provided contract performance guarantees. The details and extent of Council exposure at the reporting date are as follows:

	2018 \$'000	2017 \$'000
Contract Performance:		
Department of Minerals and Energy	20	20
Department of Energy and Resources	50	50
	<u>70</u>	<u>70</u>

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

**7.2 Change in accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

*Financial Instruments - Disclosures (AASB 7) (applies 2018/19)*

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

*Financial Instruments (AASB 9) (applies 2018/19)*

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

*Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)*

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)*

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

*Leases (AASB 16) (applies 2019/20)*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

*Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)*

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.

**7.3 Financial instruments**

**(a) Objectives and policies**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

**(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
  - council may require collateral where appropriate; and
  - council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.
- Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 7.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 7.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 4.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**(e) Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 0.25% and - 0.25% in market interest rates (AUD) from year-end rates of 1.50%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

**7.4 Fair value measurement**

*Fair value hierarchy*

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards, AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

*Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

*Impairment of assets*

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

**7.5 Events occurring after balance date**

No matters have occurred after balance date that require disclosure in the financial report.

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Note 8 Other matters

8.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
<b>2018</b>			
<b>Property</b>			
Land	76,574	26,199	102,773
Buildings	35,776	-	35,776
	<u>112,350</u>	<u>26,199</u>	<u>138,549</u>
<b>Infrastructure</b>			
Furniture and equipment	32	-	32
Roads	134,970	-	134,970
Bridges	2,667	-	2,667
Footpaths and cycleways	9,182	806	9,988
Drainage and sewerage	15,678	-	15,678
Recreational, leisure and community facilities	2,364	5,507	7,871
Parks, open space and streetscapes	1,472	899	2,371
Offstreet car parks	2,360	-	2,360
Library	125	-	125
	<u>168,850</u>	<u>7,212</u>	<u>176,062</u>
<b>Total asset revaluation reserves</b>	<u>281,200</u>	<u>33,411</u>	<u>314,611</u>
<b>2017</b>			
<b>Property</b>			
Land	61,819	14,755	76,574
Buildings	12,004	23,772	35,776
	<u>73,823</u>	<u>38,527</u>	<u>112,350</u>
<b>Infrastructure</b>			
Furniture and equipment	32	-	32
Roads	128,720	6,250	134,970
Bridges	2,137	530	2,667
Footpaths and cycleways	9,182	-	9,182
Drainage and sewerage	15,678	-	15,678
Recreational, leisure and community facilities	2,364	-	2,364
Parks, open space and streetscapes	1,472	-	1,472
Offstreet car parks	2,816	(456)	2,360
Library	125	-	125
	<u>162,526</u>	<u>6,324</u>	<u>168,850</u>
<b>Total asset revaluation reserves</b>	<u>236,349</u>	<u>44,851</u>	<u>281,200</u>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

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	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2018</b>				
<b>Allocated</b>				
Plant replacement	1,080	764	(1,478)	366
Open space	936	717	(103)	1,550
Main drainage	210	-	-	210
Home Care Packages	137	116	-	253
Developer contributions	2,141	2,406	(1,296)	3,251
Airey's Inlet aged care units	300	3	-	303
Waste	4,322	4,873	(2,794)	6,401
Gravel Pits	1,660	283	-	1,943
Defined benefits superannuation	724	250	-	974
Carried forward capital works	8,741	12,798	(8,741)	12,798
Carried forward new initiatives	1,562	1,350	(1,562)	1,350
Adopted strategy implementation	4,349	4,164	(2,677)	5,836
Asset renewal	411	6,381	(5,807)	985
Developer Contributions Council Allocation	1,172	2,361	(2,063)	1,470
Winchelsea Infrastructure Plan	-	154	-	154
Accumulated unallocated cash	5,060	4,401	(4,443)	5,018
<b>Sub-total Allocated Reserves</b>	<b>32,805</b>	<b>41,021</b>	<b>(30,964)</b>	<b>42,862</b>
<b>Total Other reserves</b>	<b>32,805</b>	<b>41,021</b>	<b>(30,964)</b>	<b>42,862</b>
<b>2017</b>				
<b>Allocated</b>				
Plant replacement	949	1,215	(1,084)	1,080
Open space	817	152	(33)	936
Main drainage	216	9	(15)	210
Home Care Packages	85	52	-	137
Developer contributions	4,247	719	(2,825)	2,141
Airey's Inlet aged care units	343	2	(45)	300
Waste	6,196	3,402	(5,276)	4,322
Gravel Pits	1,748	404	(492)	1,660
Defined benefits superannuation	474	250	-	724
Carried forward capital works	5,582	8,741	(5,582)	8,741
Carried forward new initiatives	770	1,592	(800)	1,562
Adopted strategy implementation	2,404	3,797	(1,852)	4,349
Asset renewal	357	6,583	(6,529)	411
Developer Contributions Council Allocation	920	2,117	(1,865)	1,172
Accumulated unallocated cash	3,664	3,476	(2,080)	5,060
<b>Sub-total Allocated Reserves</b>	<b>28,772</b>	<b>32,511</b>	<b>(28,478)</b>	<b>32,805</b>
<b>Total Other reserves</b>	<b>28,772</b>	<b>32,511</b>	<b>(28,478)</b>	<b>32,805</b>

**(b) Other reserves (cont)**

Councils allocated reserves contain funds that have been resolved by Council to be used in a particular manner or an obligation by either an Act or contractual agreement that limits the use of the funds.

The purpose of the Plant replacement reserve is to establish a fund whereby Council's heavy plant can be replaced at the end of their useful lives. The changeover cost of small vehicles is also funded from this reserve.

The purpose of the Open Space reserve is to provide improved recreational facilities for the Surf Coast Shire, both of an active and passive nature. Council has an obligation to hold these funds under the Subdivision Act 1988

The purpose of the Main drainage reserve is to hold developer contributions for main drainage works at a later point than the initial development. They are tied to works within the catchment area from which funds were derived. Council has an obligation to hold these funds under the Planning and Environment Act 1987

The purpose of the Airey's Inlet units reserve is as the funding source for the maintenance of social housing for disadvantaged low income earners. Four social housing units currently exist in Aireys Inlet. Council has an obligation to hold these funds under the Housing Act 1983

The purpose of the Developer contributions reserve is to hold funds contributed by developers for specific works associated with subdivisions. Funds are contributed for infrastructure (footpaths, fencing, streetscapes etc) where it is deemed that these works should occur at a later point than the initial development. Funds are also held in this account for the Torquay/Jan Juc DCP. Funds collected are specifically identified for projects via s173 agreement or the Developer Contribution Plan

The purpose of the Waste reserve is to ensure that the full cost of the waste function is met by the waste charges (garbage charge and fee income from landfill) and that surpluses and deficits on an annual basis can be covered without any adverse impact on the balance of Council's budget.

The purpose of the Gravel pits reserve is to provide funding for road improvements for Council roads.

The purpose of the Defined benefits reserve is to reserve funds for future Defined Benefits Superannuation funding calls arising from shortfalls in the Local Government Defined Superannuation Benefits Fund

The purpose of the Carried forward capital works reserve is to act as a mechanism to carry over funding for capital works that are still in progress at year end.

The purpose of the Carry forward new initiatives reserve is to act as a mechanism to carry over funding for new initiatives that are still in progress at year end.

The purpose of the Adopted strategy reserve is to provide funding for projects in line with approved strategies adopted by Council and is funded from operations or grants received.

The purpose of the Asset renewal reserve is to provide funding based on the Asset Renewal Funding Strategy.

The purpose of the Developer contributions Council allocation reserve is to provide Council allocated funding based on the Torquay/Jan Juc Developer Plan

The purpose of the Home care packages reserve is to meet Council's obligation under new Commonwealth legislation to carry any unspent individual client funds into future periods.

The purpose of the Accumulated unallocated cash reserve is to separately identify Council's Unallocated Cash.

The purpose of the Developer contributions Council allocation reserve is to provide Council allocated funding based on the Winchelsea Infrastructure needs.



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	2018	2017
	\$'000	\$'000
<b>8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	27,864	16,972
Depreciation	12,729	10,994
Profit/(loss) on disposal of property, infrastructure, plant and equipment	240	2,115
Assets Written off	2,717	-
Finance costs	1,035	1,077
Contributions - Non-monetary assets	(18,426)	(10,718)
Share of net profits/(losses) of Geelong Regional Library Corporation	-	80
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(735)	(1,208)
(Increase)/Decrease in prepayments	(75)	25
(Increase)/decrease in accrued income	7	67
Increase/(decrease) in trade and other payables	(1,415)	3,447
Increase/(decrease) in other liabilities	116	52
(Increase)/decrease in inventories	18	(38)
Increase/(Decrease) in provisions	(1,243)	(2,343)
Increase/(Decrease) in trust funds and deposits	213	979
Net cash provided by/(used in) operating activities	<u>23,045</u>	<u>21,501</u>

### 8.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5% as required under Superannuation Guarantee legislation).

#### Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.5% pa  
Salary information 3.5% pa  
Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at June 2018 was 106.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

**Employer contributions**

**Regular contributions**

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**2017 triennial actuarial investigation surplus amounts**

The Fund's triennial investigation as at 30 June 2017 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million.
- A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested

**2018 interim actuarial investigation**

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in December 2018.

## 1.2 Performance Statement 2017-18

**Author's Title:** Coordinator Governance & Corporate Planning      **General Manager:** Anne Howard

**Department:** Governance & Risk

**File No:** F17/970

**Division:** Governance & Infrastructure

**Trim No:** IC18/1063

### Appendix:

1. Surf Coast Shire Council Performance Statement 2017-18 (D18/77607)

### Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 – Section 80C:

Yes

No

**Reason:** Nil

### Status:

Information classified confidential in accordance with Local Government Act 1989 – Section 77(2)(c):

Yes

No

**Reason:** Nil

### Purpose

The purpose of this report is to present the 2017-18 Surf Coast Shire Council Performance Statement (the Statement) to Council for in-principle approval, as recommended by the Audit and Risk Committee and in accordance with section 132 of the Local Government Act 1989 (the Act).

### Summary

Section 132 of the Act requires Council to pass a resolution approving in principle the financial statements, standard statements and performance statement prior to submitting to the Victorian Auditor General for issue of an audit opinion. The audit was conducted on-site at Council's municipal office by the Victorian Auditor General's Office during the week commencing 20 August 2018.

The Audit and Risk Committee considered the statements at its meeting held on Thursday 6 September 2018. The Committee recommended that Council adopt in principle the 2017-18 Performance Statement, and authorise two Councillors to sign the Statement in accordance with the Act.

Council's approval of the Statement is required to enable the "in principle" Statement to be signed before being submitted to the Auditor-General to issue an audit opinion and included in the Annual Report to be lodged with the Minister by 30 September 2018.

### Recommendation

That Council:

1. Approves in principle to the Performance Statement and submits the Statement to the auditor for reporting on the audit.
2. Authorises Cr Margot Smith and Cr Clive Goldsworthy to sign the 2017-18 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989
3. Requires the 2017-18 Performance Statement be referred back to Council if there are significant changes prior to signing.
4. Requires that any minor changes to the 2017-18 Performance Statement be reviewed by the two authorised Councillors prior to signing.

## 1.2 Performance Statement 2017-18

### Report

#### **Background**

The Local Government Act 1989 (the Act) requires Council to pass a resolution giving its approval in principle to the performance statement prior to submitting the Statement to the Auditor General for issue of an audit opinion.

Section 132 of the Act states:

1. A Council must submit the performance statement and financial statements in their finalised form to the auditor for auditing as soon as possible after the end of the financial year.
2. The Council, after passing a resolution giving its approval in principle to the performance statement and financial statements, must submit the statements to the auditor for reporting on the audit.
3. The auditor must prepare a report on the performance statement.
4. The auditor must not sign a report under subsection (3) or under Part 3 of the Audit Act 1994 unless the performance statement or the financial statements (as applicable) have been certified under subsection (5).
5. The Council must ensure that the performance statement and financial statements, in their final form after any changes recommended or agreed by the auditor have been made, are certified in accordance with the regulations by -
  - a) two Councillors authorised by the Council for the purposes of this subsection; and
  - b) any other prescribed persons
6. The auditor must provide the Minister and the Council with a copy of the report on the performance statement as soon as is reasonably practicable.

The Audit and Risk Committee considered the statements at its meeting held on Thursday 6 September 2018. The Committee made a series of recommendations to Council, which are consistent with those outlined in this report. Council is required to consider the statements to enable an approved set to be signed and submitted to the Victorian Auditor-General for issue of an audit opinion. The audited statements can then be included in the Annual Report and lodged with the Minister by the due date of 30 September 2018.

#### **Discussion**

In accordance with its Charter, the Audit and Risk Committee is required to provide Council with the minutes of every meeting of the Committee, as well as a report explaining any specific recommendations and key outcomes. Due to the timing of both the audit process and Committee meeting, the full minutes of the Committee meeting are not included in this Council meeting agenda. An extract of the relevant section of the Committee resolution is provided as follows:

“That the Audit and Risk Committee recommend that Council

7. Adopt ‘in principle’ the 2017-18 Performance Statement, subject to further adjustments required by Council’s auditor, in accordance with Section 132 of the Local Government Act 1989.
8. Authorise two Councillors to sign the 2017-18 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
9. Require the 2017-18 Performance Statement be referred back to Council if there are significant changes prior to signing.
10. Require that any minor changes to the 2017-18 Performance Statement be reviewed by the two authorised Councillors prior to signing.”

The Committee considered the 2017-18 Statements at its meeting held on 6 September 2018. Council staff and representatives of the Auditor-General’s office attended the Committee meeting to present and answer any questions.

It was the consensus of the Committee that the Performance Statement presents fairly the position of Surf Coast Shire Council at the conclusion of the 2017-18 financial year.

Any recommended changes need to be made prior to submitting the statements to the Auditor-General for an audit opinion and lodgement of Council’s annual report to the Minister by the due date of 30 September 2018.

## 1.2 Performance Statement 2017-18

The minutes of the Committee meeting held on 6 September 2018 will be provided for Council's information at the next available Ordinary Council Meeting.

### **Financial Implications**

The Performance Statement is prepared by Council officers and completed within approved operating budgets.

### **Council Plan**

Theme	5 High Performing Council
Objective	5.2 Ensure that Council decision-making is balanced and transparent and the community is involved and informed
Strategy	Nil

### **Policy/Legal Implications**

Section 139 of the Local Government Act 1989 requires Council to establish an Audit and Risk Committee as an advisory committee of Council. The recommendation provided with this report ensures that Council is compliant with its statutory obligations.

### **Officer Direct or Indirect Interest**

No officer involved in the preparation of this report has any conflicts of interest.

### **Risk Assessment**

Council's performance statement is subject to a rigorous audit process to ensure accuracy. The Audit and Risk Committee also has a responsibility to review the statements prior to Council adoption of the statements in principle, and to raise any matters of concern.

### **Social Considerations**

Not applicable.

### **Community Engagement**

The Performance Statement will be published in the Annual Report.

### **Environmental Implications**

Not applicable.

### **Communication**

Council's Performance Statement is published in Council's Annual Report, which is available for the public to view at Council's offices or on Council's website.

### **Options**

#### Option 1 – Council does not support proposed recommendations

This option is not recommended by officers as it will increase the opportunity of non-compliance with statutory performance reporting requirements

#### Option 2 – Council endorses proposed recommendations

This option is recommended by officers as it will enable finalisation of the performance statement and compliance with statutory performance reporting requirements.

### **Conclusion**

The annual end of financial year reporting cycle provides a good opportunity for Council to reflect on its performance during the previous financial year.

**1.2 Performance Statement 2017-18**

**APPENDIX 1 SURF COAST SHIRE COUNCIL PERFORMANCE STATEMENT 2017-18**

# Surf Coast Shire Council

## Performance Statement

For the year ended 30 June 2018

## Performance Statement

For the year ended 30 June 2018

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### Description of municipality

Surf Coast Shire is located in south-western Victoria, 120km from Melbourne, 21km south of Geelong and covers 1,560 square kilometres.

Its proximity to the Princes Highway and Geelong Ring Road provides convenient road access to enhance the shire's appeal as a lifestyle, holiday, tourist and business destination.

Residents enjoy a high-quality lifestyle combining coastal, bushland and rural elements across nine distinct townships: Aireys Inlet, Anglesea, Deans Marsh, Fairhaven, Jan Juc, Lorne, Moriac, Torquay and Winchelsea.

Surf Coast Shire has been recognised as one of Victoria's fastest growing municipalities for more than a decade. The combination of lifestyle and proximity to Melbourne has seen the permanent population grow from 20,872 in 2001 to an estimated 31,324 in 2017.

Surf Coast Shire's economy continues to experience strong growth with the top employment sectors including tourism, the surfing industry, accommodation and food services, construction and retail trade. The Surf Coast Shire unemployment rate as at March 2018 was 2.43%. End of year results are not available yet.

With its rich agricultural and aesthetic attributes, the hinterland is increasingly contributing to the shire's economic development, particularly via local food and niche tourism opportunities.

The demands on Council to deliver essential infrastructure and community services will continue to increase in line with the needs of Surf Coast Shire's rapidly growing, changing community.

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## Sustainable Capacity Indicators

For the year ended 30 June 2018

<i>Indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
<b>Population</b>					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,985.11	\$2,124.43	\$2,164.33	\$2,253.61	Council expenses per head of municipal population have increased by an average of 6% per annum over the last four years. Council expenses encompass employee wages, materials and services, depreciation, borrowing costs, and other expenses. Employee costs have increased over the last four years due to increases included in Council's enterprise bargaining agreement and growth in Council services. Materials and services expenditure has increased over the past four years due to a higher value of projects being delivered by Council and expanded services to service a growing population (including kindergartens and sporting infrastructure). Depreciation has increased in the last four years due to new assets being commissioned and the revaluation of existing assets.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$9,905.90	\$12,078.85	\$12,763.54	\$17,768.52	The value of Council's infrastructure has increased significantly in the last 4 years. In addition to Council's annual capital works program, the recognition of road related assets (including road formation) and revaluation of other assets in 2018 reflect in the increasing asset values.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	25.80	26.05	29.08	29.66	The estimated residential population of Surf Coast Shire grew by 2.5% per annum on average over the last four years, increasing from 28,481 in 2015 to 31,324 in 2018. The length of local roads remains relatively unchanged.

<i>Indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
<b>Own-source revenue</b>					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,721.18	\$1,866.14	\$1,821.58	\$1,928.11	The average growth in own-source revenue for the last four years is 6% per annum. Council continues to comply with the Victorian Government's Fair Go Rates system, which limits rate revenue increases on existing properties to a rate set by the minister, usually CPI. Other growth in own-source revenue is mainly related to supplementary rates on new properties, increases in user charges and statutory fees and fines.
<b>Recurrent grants</b>					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$333.35	\$263.85	\$391.69	\$321.48	The Commonwealth Government grant payments often vary from expected timing, which result in the grants fluctuating significantly year to year. Over a four year period, recurrent grants have increased on average by 1.5% per year.
<b>Disadvantage</b>					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	10.00	10.00	10.00	10.00	Overall the Surf Coast Shire municipality continues to experience a high level of advantage when compared to other areas, albeit there are some smaller parts of the municipality that face socio-economic disadvantage.

**Definitions**

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

## Service Performance Indicators

For the year ended 30 June 2018

Service/indicator/measure	Results				Material Variations
	2015	2016	2017	2018	
<b>Aquatic facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i>	0.27	0.24	0.23	0.26	Council operates an outdoor pool at Winchelsea on a seasonal basis. Utilisation is influenced by fluctuations in weather conditions. Utilisation is generally consistent over the four year period.
[Number of visits to aquatic facilities / Municipal population]					
<b>Animal management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i>	3.00	0.00	0.00	0.00	There were no animal management prosecutions initiated during 2017-18. Council has adopted a new Domestic Animal Management Plan in 2017-18 and will continue to focus on education.
[Number of successful animal management prosecutions]					
<b>Food safety</b>					
<b>Health and safety</b>					
<i>Critical and major non-compliance notifications</i>	100.00%	98.39%	99.37%	98.84%	The decrease in 2017-18 results reflects a number of food premises that closed before the follow-up inspection could be completed.
[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100					
<b>Governance</b>					
<b>Satisfaction</b>					
<i>Satisfaction with council decisions</i>	58.00	50.00	53.00	52.00	Minor variation over recent years. The most recent survey indicates an improvement in satisfaction with younger people and non-residents, but no material changes with other groups.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
<b>Home and community care</b>					
<b>Participation</b>					
<i>Participation in HACC service</i>	27.00%	26.99%	Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
[Number of people that received a HACC service / Municipal target population for HACC services] x100					

Service/indicator/measure	Results				Material Variations
	2015	2016	2017	2018	
<b>Participation</b>					
<i>Participation in HACC service by CALD people</i>			Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100					
<b>Libraries</b>					
<b>Participation</b>					
<i>Active library members</i>	19.00%	19.88%	19.43%	18.77%	Participation levels in the library service have remained relatively consistent over the last four years; however some resourcing challenges in areas that primarily support and promote children and youth services in the library may have impacted the active membership in this membership cohort.
[Number of active library members / Municipal population] x100					
<b>Maternal and child health</b>					
<b>Participation</b>					
<i>Participation in the MCH service</i>	72.00%	74.77%	78.42%	77.40%	The service recorded a small decrease in performance over the last 12 months despite growth in both the number of children participating in the maternal and child health service (+4%) and the number of children enrolled at the end of year (+5%). Over the last 4 years the number of children attending the MCH service at least once in the year has increased by over 5%.  Many young families living in the shire commute to adjoining municipalities for work contributing to the transfer of 64 children out of the M&CH service at year end over the last 12 months. Council is exploring ways to provide maternal and child health services to children in long day care facilities to streamline service provision for families.
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
<b>Participation</b>					
<i>Participation in the MCH service by Aboriginal children</i>	76.00%	68.00%	81.25%	94.12%	One of the key focus areas in Council's 2017-18 service improvement plan was to increase participation rates for aboriginal children. Work in this area has resulted in a 15.84% increase in participation levels compared to 2016-17 results.
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100					

Service/indicator/measure	Results				Material Variations
	2015	2016	2017	2018	
<b>Roads</b>					
<b>Satisfaction</b>					
<i>Satisfaction with sealed local roads</i>	65.00	61.00	61.00	59.00	Satisfaction varies greatly across the municipality with Torquay, Lorne and Anglesea communities rating approx. 20 points higher than the average of similar Councils, but Winchelsea rating lower than the average. Council established a new Road Management Plan at the start of the 2017-18 year and data shows strong compliance against the plan.
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
<b>Statutory Planning</b>					
<b>Decision making</b>					
<i>Council planning decisions upheld at VCAT</i>	75.00%	76.47%	80.95%	50.00%	The 50 % relates to eight matters of out of 16 that were appealed to VCAT. Of the Council decisions not upheld, two were successfully resolved through mediation and one decision was largely upheld.
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100					
<b>Waste Collection</b>					
<b>Waste diversion</b>					
<i>Kerbside collection waste diverted from landfill</i>	55.00%	54.26%	54.76%	55.06%	Council has maintained its waste diverted from landfill at a constant level. The rate in 2017-18 was marginally up even though the publicity around the recycling industry was having a negative impact. Council is introducing a food organic and garden organic program in 2018-19 which will have a dramatic impact in the 2019-20 financial year. It is anticipated a minimum of a 20% increase in waste diverted from landfill.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

**Definitions**

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

## Financial Performance Indicators

For the year ended 30 June 2018

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Efficiency</b>									
<b>Revenue level</b>									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$2,012.67	\$2,104.52	\$2,150.50	\$2,181.09	\$2,296.58	\$2,376.51	\$2,438.47	\$2,501.42	No comment provided as there is no material variation.
<b>Expenditure level</b>									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,741.90	\$2,878.00	\$3,096.18	\$3,243.52	\$3,265.36	\$3,214.75	\$3,228.83	\$3,319.92	No comment provided as there is no material variation.
<b>Workforce turnover</b>									
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	8.56%	6.26%	6.98%	9.13%	7.00%	7.00%	7.00%	7.00%	In 2017-18, 31 employees left Council representing an increase of 2.15% on the prior year. These roles are spread across the organisation and an analysis of exit interviews has not identified any specific issues. There are some new large employers in the region which appear to have contributed to employee movement but this is not a major driver of the change.

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2018	2019	2020	2021	
<b>Liquidity</b>									
<b>Working capital</b>									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	262.40%	252.55%	269.83%	357.70%	282.07%	259.78%	265.57%	302.20%	Increased cash held at the end of 2018 (\$8.6m) was mainly attributable to cash held in reserve to fund higher carried forward capital works of \$4.0m (for incomplete projects), and an increase in Council's waste cash reserve in anticipation of future capital requirements.
<b>Unrestricted cash</b>									
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	-66.02%	-63.44%	-82.94%	-136.88%	23.67%	58.98%	80.62%	120.55%	At the end of the financial year, Council had \$45m in "Other Financial Assets", which is not included in this calculation. These funds represent Council's term deposits with an original maturity of over 90 days. This represents a \$9m increase in Council's cash reserves in the 2018-19 financial year, mainly due to higher balances in Council's carried forward capital works and waste reserves.
<b>Obligations</b>									
<b>Asset renewal</b>									
<i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x100	63.17%	52.39%	43.71%	37.25%	59.27%	57.55%	56.39%	52.16%	Depreciation has increased by 30% over four years, much of which relates to assets that are new, gifted or reconstructed and therefore, the overall condition of the asset base is good. Council's renewal program is condition driven and unrelated to depreciation. Officers are working on formalising an asset renewal funding strategy.



Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2018	2019	2020	2021	
<b>Loans and borrowings</b> <i>Loans and borrowings compared to rates</i>  [Interest bearing loans and borrowings / Rate revenue] x100	37.71%	34.10%	31.34%	34.78%	38.95%	34.88%	30.91%	27.08%	\$3m borrowed in 2017-18 (per budget) to complete the Kurrabee Myaring Community Centre
<b>Loans and borrowings</b> <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	3.99%	3.74%	3.58%	3.44%	4.06%	4.84%	4.62%	4.41%	No comment provided as there is no material variation.
<b>Indebtedness</b> <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	59.94%	51.22%	46.72%	45.00%	49.57%	45.52%	39.97%	36.16%	No comment provided as there is no material variation.

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2018	2019	2020	2021	
<b>Operating position</b> <b>Adjusted underlying result</b> <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	6.17%	3.59%	6.70%	1.36%	-6.78%	0.47%	1.12%	0.55%	Council's adjusted underlying revenue increased by \$1.2m from 2016-17 due mainly to increased rates. Underlying expenditure increased by \$4.9m, mainly due to higher depreciation on assets \$1.6m and higher employee costs \$1.1m.
<b>Stability</b> <b>Rates concentration</b> <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	71.06%	73.29%	67.48%	69.12%	75.49%	73.33%	73.78%	74.32%	No comment provided as there is no material variation.
<b>Rates effort</b> <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.33%	0.34%	0.33%	0.34%	0.30%	0.30%	0.31%	0.32%	No comment provided as there is no material variation.

**Definitions**

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

## Other Information

For the year ended 30 June 2018

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### 1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014*.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 26 June 2018 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

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## Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

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John Brockway CPA

**Principal Accounting Officer**

**Dated:** 11 September 2018

In our opinion, the accompanying performance statement of the (*council name*) for the year ended 30 June 2018 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.

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Cr Margot Smith

**Councillor**

**Dated:** 11 September 2018

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Cr Clive Goldsworthy

**Councillor**

**Dated:** 11 September 2018

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Keith Baillie

**Chief Executive Officer**

**Dated:** 11 September 2018

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**Close:** There being no further items of business the meeting closed at     pm.