

Agenda

Special Meeting of Council
Thursday, 12 September 2019

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

Commencing at 6:00pm

Council:

Cr Rose Hodge (Mayor)
Cr David Bell
Cr Martin Duke
Cr Clive Goldsworthy
Cr James McIntyre
Cr Brian McKiterick
Cr Margot Smith
Cr Heather Wellington

AGENDA FOR THE SPECIAL COUNCIL MEETING OF SURF COAST SHIRE COUNCIL
TO BE HELD IN THE COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY
ON THURSDAY 12 SEPTEMBER 2019 COMMENCING AT 6:00PM

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.

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1. GOVERNANCE & INFRASTRUCTURE

1.1 Annual Financial Statements 2018-19

Author's Title: Manager Finance

General Manager: Stevan Muskett

Department: Finance

File No: F18/861-2

Division: Governance & Infrastructure

Trim No: IC19/1465

Appendix:

1. 2018-19 Annual Financial Statements (D19/125411)

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 2018-19 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 19 August 2019.

The Audit and Risk Committee considered the Statements at its meeting held on Thursday, 5 September 2019. The Committee recommended that Council adopt in principle the 2018-19 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 2019.

Recommendation

That Council:

1. Approves in principle to the Financial Statements and submit the statements to the auditor reporting on the audit.
2. Authorises Cr Brian McKitterick and Cr Clive Goldsworthy to sign the 2018-19 Financial Statements in accordance with section 132(5) of the Local Government Act 1989.
3. Requires the 2018-19 Financial Statements be referred back to Council if there are significant changes prior to signing.
4. Requires that any minor changes to the 2018-19 Financial Statements be reviewed by the two authorised councillors prior to signing.

1.1 Annual Financial Statements 2018-19

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. The 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, 5 September 2019. 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 2019.

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 2018-19 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 2018-19 Financial Statements in accordance with Section 132(5) of the Local Government Act 1989.
 - c) Require the 2018-19 Financial Statements be referred back to Council if there are significant changes prior to signing.
 - d) Require that any minor changes to the 2018-19 Financial Statements be reviewed by the two authorised Councillors prior to signing.”

The Committee considered the 2018-19 statements at its meeting held on 5 September 2019. 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 statements present fairly the financial position of Surf Coast Shire Council at the conclusion of the 2018-19 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.

1.1 Annual Financial Statements 2018-19

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 2019.

The minutes of the Committee held on 5 September 2019 will be provided for Council's information at the 22 October 2019 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

Policy/Legal Implications

Section 139 of the Local Government Act 1989 requires the Council to establish an audit and risk committee as an advisory committee of the 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

The 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 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 2018-19 financial statements in principle.

This option is recommended by officers as they have been through a thorough audit process, 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 2018-19 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.

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 2018-19

APPENDIX 1 2018-19 ANNUAL FINANCIAL STATEMENTS

Surf Coast Shire
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2019

**Surf Coast Shire
 Financial Report
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Surf Coast Shire
2018/2019 Financial Report

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 : 12 September 2019

Torquay

In our opinion the accompanying financial statements present fairly the financial transactions of Surf Coast Shire Council for the year ended 30 June 2019 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 : 12 September 2019

Torquay

Cr Brian McKitterick

Councillor

Date : 12 September 2019

Torquay

Anne Howard

**Acting Chief Executive
Officer**

Date : 12 September 2019

Torquay

Surf Coast Shire
2018/2019 Financial Report

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Surf Coast Shire
 2018/2019 Financial Report

**Comprehensive Income Statement
 For the Year Ended 30 June 2019**

G 5		Note	2019 \$'000	2018 \$'000
	Income			
	Rates and charges	3.1	52,285	49,778
	Statutory fees and fines	3.2	2,575	2,107
	User fees	3.3	7,683	6,697
	Grants - operating	3.4	8,643	8,753
	Grants - capital	3.4	6,802	6,439
	Contributions - monetary	3.5	6,081	4,682
	Contributions - non monetary	3.5	16,970	18,426
G 8	Other income	3.7	1,344	1,017
	Total income		102,383	97,899
	Expenses			
	Employee costs	4.1	(31,715)	(28,930)
	Materials and services	4.2	(24,995)	(23,965)
	Depreciation and amortisation	4.3	(18,588)	(12,729)
	Bad and doubtful debts	4.4	(192)	(103)
G 9	Borrowing costs	4.5	(1,089)	(1,035)
G 39	Net loss on disposal of property, infrastructure, plant and equipment	3.6	(16)	(240)
G 6	Share of net loss of associates and joint ventures	6.3	(25)	-
G 10	Other expenses	4.6	(4,828)	(3,033)
	Total expenses		(81,448)	(70,035)
	Surplus/(deficit) for the year		20,935	27,864
G 11	Other comprehensive income			
	Items that will not be reclassified to surplus or deficit in future periods			
	Net asset revaluation increment/(decrement)	9.1	14,425	33,411
	Total comprehensive result		35,360	61,275

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

Surf Coast Shire
 2018/2019 Financial Report

Balance Sheet
As at 30 June 2019

G 13	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
	5.1	5,837	1,769
	5.1	5,129	4,536
	5.1	48,690	45,020
	5.2	309	252
G 14	6.1	232	883
	5.2	1,015	630
		<u>61,212</u>	<u>53,090</u>
Non-current assets			
	5.1	66	110
	6.3	431	457
	6.2	792,817	762,694
	5.2	28,628	31,363
		<u>821,942</u>	<u>794,624</u>
		<u>883,154</u>	<u>847,714</u>
Liabilities			
Current liabilities			
	5.3	3,421	5,209
G 15	5.3	3,827	2,864
	5.6	6,176	5,539
	5.4	1,032	977
	5.5	179	253
		<u>14,635</u>	<u>14,842</u>
Non-current liabilities			
	5.6	12,214	10,894
	5.4	15,252	16,285
		<u>27,466</u>	<u>27,179</u>
		<u>42,101</u>	<u>42,021</u>
		<u>841,053</u>	<u>805,693</u>
Equity			
		460,836	448,220
	9.1	380,217	357,473
		<u>841,053</u>	<u>805,693</u>

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

Surf Coast Shire
 2018/2019 Financial Report

**Statement of Changes in Equity
 For the Year Ended 30 June 2019**

G 16 G83	Note	Asset			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000	Other Reserves \$'000
2019					
	Balance at beginning of the financial year	805,693	448,220	314,611	42,862
	Surplus/(deficit) for the year	20,935	20,935	-	-
	Net asset revaluation increment/(decrement)	14,425	-	14,425	-
	Transfers to other reserves	-	(49,413)	-	49,413
	Transfers from other reserves	-	41,094	-	(41,094)
	Balance at end of the financial year	841,053	460,836	329,036	51,181
2018					
	Balance at beginning of the financial year	694,922	380,917	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)
	Balance at end of the financial year	805,693	448,220	314,611	42,862

* 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
 2018/2019 Financial Report

**Statement of Capital Works
 For the Year Ended 30 June 2019**

G 21 G 22	Note	2019 \$'000	2018 \$'000
Property			
Land		1,480	-
Total land		<u>1,480</u>	<u>-</u>
Buildings		2,939	4,711
Total buildings		<u>2,939</u>	<u>4,711</u>
Total property		<u>4,419</u>	<u>4,711</u>
Plant and equipment			
Plant, machinery and equipment		1,490	879
Fixtures, fittings and furniture		-	219
Computers and telecommunications		624	402
Total plant and equipment		<u>2,114</u>	<u>1,500</u>
Infrastructure			
Roads		5,474	7,653
Bridges		229	350
Footpaths and cycleways		342	601
Drainage and sewerage		280	215
Recreational, leisure and community facilities		1,988	178
Waste management		1,500	698
Parks, open space and streetscapes		990	599
Off street car parks		74	119
Total infrastructure		<u>10,877</u>	<u>10,413</u>
Total capital works expenditure		<u>17,410</u>	<u>16,624</u>
Represented by:			
New asset expenditure		6,412	6,162
Asset renewal expenditure		6,345	4,742
Asset expansion expenditure		496	72
Asset upgrade expenditure		4,157	5,648
Total capital works expenditure		<u>17,410</u>	<u>16,624</u>

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

OVERVIEW

G 23 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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.6)
- the determination of landfill provisions (refer to Note 5.6)
- other areas requiring judgements

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.

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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 26th June 2018. 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

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
Income					
Rates and charges	51,910	52,285	375	1%	1
Statutory fees and fines	1,872	2,575	703	38%	2
User fees	6,598	7,683	1,085	16%	3
Grants - operating	5,780	8,643	2,863	50%	4
Grants - capital	252	6,802	6,550	2599%	5
Contributions - monetary	3,647	6,081	2,434	67%	6
Contributions - non monetary	12,265	16,970	4,705	38%	7
Other income	903	1,344	441	49%	8
Total income	83,227	102,383	19,156	23%	
Expenses					
Employee costs	30,997	31,715	(718)	-2%	9
Materials and services	25,426	24,995	431	2%	10
Bad and doubtful debts	77	192	(115)	-149%	11
Depreciation and amortisation	13,495	18,588	(5,093)	-38%	12
Borrowing costs	1,155	1,089	66	6%	
Net loss on disposal of property, infrastructure, plant	-	16	(16)	-	
Share of net loss of associates and joint ventures	-	25	(25)	-	
Other expenses	2,242	4,828	(2,586)	-115%	13
Total expenses	73,392	81,448	(8,056)	-11%	
Surplus/(deficit) for the year	9,835	20,935	11,100	113%	

Surf Coast Shire
2018/2019 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

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(i) Explanation of material variations

Variance	Item	Explanation	Explanation
1	Rates and charges	Supplementary Rates and Garbage Charges	Higher than budgeted \$340k.
2	Statutory fees and fines	Higher planning and subdivision fees collected	\$243k, property information request and lodgement fees budgeted in User fees \$223k, higher Infringement revenues \$211k.
3	User fees	Higher volumes at landfill (higher gate fees)	\$593k, higher revenues from Gherang Gravel Pits \$471k based on higher extraction rates, higher other service fees income \$222k, offset by lower debt collection income (\$119k).
4	Grants - operating	Variance includes Victorian Grants Commission pre-payment of 2019-20 allocation	\$2,298k, Higher Family Services grants received \$231k, Successful application for Economic Development Strategy funding(unbudgeted) \$160k, and Safer Together grant (unbudgeted) \$55k.
5	Grants - capital	Additional Grant funding received, made up of Surf Coast Multi-Purpose Stadium	\$1,950k, Forest & Grays Rd upgrade \$870k, Black spot reduction program \$512k, Allenvale Rd restoration \$493k, Mt Moriac Equestrian/Netball Lighting upgrade \$385k, Clissold St restoration \$313k, Cape Otway Rd bridge strengthening \$292k, Stony Creek bridge restoration \$279k, Buckley Rd Nth renewal \$277k, Spring Creek Netball Facilities \$210k, Winchelsea Netball Pavilion \$200k, Winchelsea Common \$200k, and other capital projects \$569k.
6	Contributions - monetary	Higher Developer Contributions (open space and DCP's)	\$1,853k, higher external contributions to capital projects \$294k, higher external contributions to other projects \$131k, once-off transition of valuations to Valuer-General contribution \$40k, higher Family Day Care contributions \$39k.
7	Contributions - non monetary	Higher assets contributed from developers due to increased rate of development	\$4,705k.
8	Other income	Higher interest income on investments	\$441k.
9	Employee costs	Lower Recurrent employee costs	\$72k, driven mainly by vacancies \$528k and offset by higher casual labour and long service leave costs, and lower costs recovery through projects (\$456k). Recurrent cost variances are offset by higher than budgeted expensed capital labour (\$790k), which is mainly related to Council's Digital Transformation Program.
10	Materials and services	Higher Recurrent materials and services costs	(\$979k), driven mainly by higher waste service operating costs (\$352k), higher legal fees (\$311k), higher contractor costs (\$214k), higher royalty costs for the Gherang Gravel Pit (\$102k), and repayment of an unspent grant (\$100k), offset by lower than budgeted expensed capital works \$1,518k and higher operating project expenditure (\$88k).
11	Bad and doubtful debts	Higher debt write-offs	(\$71k), Increased provision for doubtful debts (\$45k).
12	Depreciation and amortisation	Depreciation higher than budgeted due to recognition of Landfill assets	(\$4,493k), and higher opening balance of Council's asset portfolio (\$600k)
13	Other expenses	Higher than budgeted asset write-offs	(\$1,490k) due to asset renewal and upgrade projects, higher than budgeted Landfill Rehabilitation Provision adjustment (\$1,390k), partially offset by savings in lease and other costs \$205k.

Surf Coast Shire
2018/2019 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 1 Performance against budget (cont'd)

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1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
Property					
Land	1	1,480	1,479	147900%	1
Total Land	1	1,480	1,479	147900%	
Buildings	1,846	2,939	1,093	59%	2
Total Buildings	1,846	2,939	1,093	59%	
Total Property	1,847	4,419	2,572	139%	
Plant and Equipment					
Plant, machinery and equipment	1,867	1,490	(377)	-20%	3
Fixtures, fittings and furniture	205	-	(205)	-100%	4
Computers and telecommunications	580	624	44	8%	
Total Plant and Equipment	2,652	2,114	(538)	-20%	
Infrastructure					
Roads	6,045	5,474	(571)	-9%	5
Bridges	980	229	(751)	-77%	6
Footpaths and cycleways	1,627	342	(1,285)	-79%	7
Drainage and sewerage	228	280	52	23%	
Recreational, leisure and community facilities	2,604	1,988	(616)	-24%	8
Waste management	-	1,500	1,500	-	9
Parks, open space and streetscapes	801	990	189	24%	10
Off street car parks	-	74	74	-	
Total Infrastructure	12,285	10,877	(1,408)	-11%	
Total Capital Works Expenditure	16,784	17,410	626	4%	
Represented by:					
New asset expenditure	2,122	6,412	4,290	202%	
Asset renewal expenditure	7,999	6,345	(1,654)	-21%	
Asset expansion expenditure	17	496	479	2818%	
Asset upgrade expenditure	6,646	4,157	(2,489)	-37%	
Total Capital Works Expenditure	16,784	17,410	626	4%	

(i) Explanation of material variations

Variance Ref	Item & Explanation
1	<p>Land</p> <p>Council purchased land for future community recreation precinct. This was funded partly via sales of other land and partly from cash reserves</p>
2	<p>Buildings</p> <p>Council constructed the Winchelsea Netball Pavilion and Toilets in 2018-19, the pavilion was budgeted in Recreation Assets \$646k and is offset in point 8 below. Other variances to budget include the Lome Leisure centre upgrade \$224k that was carried forward from 2017-18, and additional building renewal works which were funded from the renewal reserve \$176k.</p>
3	<p>Plant, machinery and equipment</p> <p>Lower than budgeted expenditure on plant and equipment mainly due to due to lower spend on the heavy plant (\$368k) replacement program.</p>
4	<p>Fixtures, fittings and furniture</p> <p>Council has delayed the implementation of its Activity Based Working Program, and the associated budget has been carried forward into 2019-20.</p>
5	<p>Roads</p> <p>Lower than budgeted Roads expenditure is mainly due to:</p> <ul style="list-style-type: none"> - The deferral of the Fischer Street upgrade and the return of funds to cash reserve (\$568K), - Unfinished projects carried forward to 2019-20, including the Esplanade (\$628k), and Forest/Grays Rd (\$457k) - Unbudgeted projects (either carried forward from 2017-18 or allocated funding in 2018-19) including: <ul style="list-style-type: none"> a) Horseshoe Bend Road \$621k, b) Buckley Road North \$235k, c) Benwerrin-Mt Sabine Road \$193k, and d) Blackgate Road \$182k.
6	<p>Bridges</p> <p>The variance to budget is mainly due to the Gnanwarre Road Culvert Project, will be completed in 2019-20 with budget carried forward from the 2018-19 financial year</p>
7	<p>Footpaths and cycleways</p> <p>Expenditure is lower than budget mainly due to incomplete projects that will be carried forward to 2019-20, including Regional Bike Routes (\$450k), Bells Beach pathways (\$191k), Jan Juc Creek pathways (\$107k), and Winchelsea Pathways Project (\$100k). The Actual budget carried forward from 2017-18 for the Regional Bike Routes was also lower than budgeted by (\$342k).</p>
8	<p>Recreational, leisure and community facilities</p> <p>Council constructed the Winchelsea Netball Pavilion and Toilets in 2018-19, the pavilion was budgeted in Recreation Assets but actual expenditure was in the Buildings category (offset in point 2 above).</p>
9	<p>Waste Management</p> <p>The variance in Waste Capital expenditure is mainly due to the Anglesea Landfill Cell 3D construction project \$965k, and the Anglesea Landfill Leachate Pond construction project \$509k</p>
10	<p>Parks, open space and streetscapes</p> <p>Higher than budgeted expenditure in parks, open space, and streetscape capital works is mainly due to the externally funded construction of a retaining wall along Allendale Road \$372k, offset by project budgets being carried forward to 2019-20, including solar compacting bins (\$119k).</p>

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G91 **Note 2 Analysis of Council results by program**

Council delivers its functions and activities through the following programs:

2 (a) Chief Executive Office

The role of the CEO is to take responsibility for leading and managing the organisation to ensure implementation of the goals and strategies endorsed by Council. In doing so, the CEO creates a climate for good democratic governance and promotion of the principles of fairness, equality, openness, accountability and transparency within the organisation to assist Councillors to govern effectively, as required under the *Local Government Act (1989)*.

Culture and Community

The Culture and Community Division provides human resources, organisation development, workplace health and safety, communications, community engagement, arts development, rural access, customer service, recreation planning, open space planning, small grants, aged and family services, early years, youth development, community health and development, facility maintenance, parks and open spaces, sports programs, facility management and internal events coordination.

Environment and Development

The Environment and Development Division provides statutory and strategic land use planning, economic development, environment, public health, emergency management, local laws and other regulatory services, business improvement and program management.

Governance and Infrastructure

The Governance and Infrastructure Division provides services including risk management and legal services, procurement and contracts, corporate planning, records management, information technology, design and traffic services, civil works, waste management, development engineering, fleet, finance and digital transformation.

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2 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Chief Executive Office	1	1,815	(1,814)	-	-
Culture and Community	7,235	21,476	(14,241)	4,579	111,483
Environment and Development	5,519	15,563	(10,044)	581	505
Governance and Infrastructure	89,628	42,594	47,034	10,285	771,166
	102,383	81,448	20,935	15,445	883,154

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Chief Executive Office	-	1,731	(1,731)	-	-
Culture and Community	6,966	19,711	(12,745)	4,652	116,882
Environment and Development	3,643	13,272	(9,629)	642	447
Governance and Infrastructure	87,290	35,321	51,969	9,898	730,385
	97,899	70,035	27,864	15,192	847,714

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	Note 3 Funding for the delivery of our services	2019	2018
G 30	3.1 Rates and charges	\$'000	\$'000

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 2018/19 was \$17,433 million (2017/18 \$14,340 million).

General rates	39,504	38,010
Municipal charge	4,560	4,344
Waste management charge	7,454	6,745
Special rates and charges	-	145
Supplementary rates and rate adjustments	592	388
Interest on rates and charges	175	146
Total rates and charges	52,285	49,778

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation was first applied in the rating year commencing 1 July 2018.

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.

G 31 **3.2 Statutory fees and fines**

Infringements and costs	846	572
Building Services	245	-
Town planning fees	745	752
Land information certificates	41	46
Subdivision fees	596	631
Other statutory fees and fines	102	106
Total statutory fees and fines	2,575	2,107

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.

G 32 **3.3 User fees**

Aged and health services	837	515
Leisure centre and recreation	843	905
Child care/children's programs	814	725
Building Services	54	152
Registration and other permits	730	613
Waste management services	2,884	2,731
Royalties	718	359
Gravel pits	182	93
Lease rentals	79	57
Other fees and charges	542	547
Total user fees	7,683	6,697

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

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G 34	3.4 Funding from other levels of government	2019	2018
	Grants were received in respect of the following :	\$'000	\$'000
	Summary of grants		
	Commonwealth funded grants	9,558	8,336
	State funded grants	5,887	6,856
	Total grants received	15,445	15,192
	(a) Operating grants		
	Recurrent - Commonwealth Government		
	Financial Assistance Grants	4,493	4,362
	Family day care	-	56
	Home and community care	984	739
	Other	51	108
	Recurrent - State Government		
	Home and community care	321	1,245
	School crossing supervisors	54	64
	Maternal and child health	310	256
	Recreation	-	-
	Community safety	-	-
	Kindergartens	1,484	1,338
	Environmental planning	-	65
	Youth Services	103	103
	Other	126	100
	Total recurrent operating grants	7,926	8,436
	Non-recurrent - Commonwealth Government		
	Recreation	30	-
	Other	15	-
	Non-recurrent - State Government		
	Community safety	-	-
	Environmental planning	263	337
	Recreation	7	5
	Kindergartens	25	-
	Other	377	(25)
	Total non-recurrent operating grants	717	317
	Total operating grants	8,643	8,753
	(b) Capital grants		
	Recurrent - Commonwealth Government		
	Roads to recovery	-	1,394
	Total recurrent capital grants	-	1,394
	Non-recurrent - Commonwealth Government		
	Recreation	140	500
	Buildings	950	-
	Roads	2,626	1,100
	Other	269	77
	Non-recurrent - State Government		
	Buildings	1,585	235
	Roads	725	2,840
	Recreation	353	178
	Environmental planning	-	115
	Other	154	-
	Total non-recurrent capital grants	6,802	5,045
	Total capital grants	6,802	6,439
G 35	(c) Unspent grants received on condition that they be spent in a specific manner		
	Balance at start of year	1,158	959
	Received during the financial year and remained unspent at balance date	2,568	995
	Received in prior years and spent during the financial year	(973)	(796)
	Balance at year end	2,753	1,158

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal).

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		2019	2018
		\$'000	\$'000
G 36	3.5 Contributions		
	Monetary	6,081	4,682
G 37	Non-monetary	16,970	18,426
	Total contributions	23,051	23,108
	<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
	Land	2,263	378
	Buildings	197	-
	Roads	7,908	9,149
	Other infrastructure	6,602	8,899
	Total non-monetary contributions	16,970	18,426
G 38	Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		
G 39	3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
	Proceeds of sale	1,051	278
	Written down value of assets disposed	(1,067)	(518)
	Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(16)	(240)
	The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.		
G 8	3.7 Other income		
	Interest	1,344	1,017
	Total other income	1,344	1,017
	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 4 The cost of delivering services		
G 40	4.1 Employee costs		
	Wages and salaries	27,665	25,352
	WorkCover	716	508
	Superannuation	2,609	2,314
	Fringe benefits tax	167	195
	Other	558	561
	Total employee costs	31,715	28,930
	(a) Superannuation		
G 41	Council made contributions to the following funds:		
G 42	Defined benefit fund		
	Employer contributions to Local Authorities Superannuation Fund (Vision Super)	41	51
	Employer contributions payable at reporting date.	41	51
	Accumulation funds		
	Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,594	1,468
	Employer contributions - other funds	951	829
	Employer contributions payable at reporting date.	2,545	2,297
	Refer to Note 9.3 for further information relating to Council's superannuation obligations.		
G 43	4.2 Materials and services		
	Contract payments	6,781	6,657
	General maintenance	254	261
	Utilities	1,213	1,216
	Office administration	868	824
	Information technology	1,161	1,026
	Insurance	695	627
	Consultants	2,079	1,762
	Fuel	676	633
	Grants, contributions and sponsorship	1,440	1,198
	Materials	1,406	1,728
	Sub-contractors	5,373	5,305
	Royalties	1,489	1,257
	Other	1,560	1,471
	Total materials and services	24,995	23,965

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		2019	2018
		\$'000	\$'000
G 44	4.3 Depreciation and amortisation		
	Property	3,099	2,851
	Plant and equipment	1,495	1,594
	Infrastructure	10,014	8,284
	Total depreciation	14,608	12,729
	Intangible assets	3,980	-
	Total depreciation and amortisation	18,588	12,729
	<i>Refer to Note 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>		
G 45	4.4 Bad and doubtful debts		
	Infringement debtors	170	102
	Rates debtors	22	1
	Other debtors	-	-
	Total bad and doubtful debts	192	103
	Movement in provisions for doubtful debts		
	Balance at the beginning of the year	75	79
	Provisions recognised/(used) during the year	45	(4)
	Balance at end of year	120	75
	Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
G 46	4.5 Borrowing costs		
	Interest - Borrowings	1,089	1,035
	Total borrowing costs	1,089	1,035
	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.		
G 48	4.6 Other expenses		
G 49	Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	55	45
G 50	Auditors' remuneration - Internal	105	64
G 51	Councillors' allowances	306	304
	Operating lease rentals	649	700
G 39	Assets written-off / impaired	2,412	2,717
	Future landfill rehabilitation adjustment	1,301	(797)
	Total other expenses	4,828	3,033
	Note 5 Our financial position		
	5.1 Financial assets		
G 52	(a) Cash and cash equivalents		
	Cash on hand	3	5
	Cash at bank	5,834	1,764
	Total cash and cash equivalents	5,837	1,769
	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.		
	(b) Other financial assets		
G 54	Term deposits - current	48,690	45,020
	Total other financial assets	48,690	45,020
	Total financial assets	48,690	45,020
	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.		
	Total cash and cash equivalents and financial assets	54,527	46,789
G 53	Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
	- Trust funds and deposits (Note 5.3)	3,827	2,864
	Total restricted funds	3,827	2,864
	Total unrestricted cash and cash equivalents and financial assets	50,700	43,925
	Intended allocations		
	Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
	- Council Allocated reserves as per Note 9.1(b) excluding Accumulated Unallocated Cash	50,096	37,844
	Total funds subject to intended allocations	50,096	37,844

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G 55	(c) Trade and other receivables	2019 \$'000	2018 \$'000
	Current		
	<i>Statutory receivables</i>		
	Rates debtors	2,436	1,364
	Special rate assessment	14	9
	Infringement debtors	560	457
	Provision for doubtful debts - infringements	(120)	(75)
	<i>Non statutory receivables</i>		
	Net GST receivable	369	506
	Other debtors	1,870	2,275
	Total current trade and other receivables	<u>5,129</u>	<u>4,536</u>
	Non-current		
	<i>Statutory receivables</i>		
	Special rate scheme	66	110
	Total non-current trade and other receivables	<u>66</u>	<u>110</u>
	Total trade and other receivables	<u>5,195</u>	<u>4,646</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.

(i) Ageing of receivables

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

Current (not yet due)	1,444	2,056
Past due by up to 30 days	150	99
Past due between 31 and 180 days	276	120
Total trade and other receivables	<u>1,870</u>	<u>2,275</u>

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G 55	5.2 Non-financial assets	2019	2018
	(a) Inventories	\$'000	\$'000
	Inventories held for distribution	252	188
	Inventories held for sale	57	64
	Total inventories	309	252
	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.		
	(b) Other assets		
	Prepayments	266	276
	Accrued income	749	354
	Total other assets	1,015	630
	(c) Intangible assets		
	Landfill air space	28,628	31,363
	Total intangible assets	28,628	31,363

	Landfill
	\$'000
Gross carrying amount	
Balance at 1 July 2018	71,001
Revaluation	1,205
Balance at 30 June 2019	72,206
Accumulated amortisation and impairment	
Balance at 1 July 2018	39,638
Amortisation expense	3,980
Revaluation	(40)
Balance at 30 June 2019	43,578
Net book value at 30 June 2018	31,363
Net book value at 30 June 2019	28,628

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is calculated on a units of use basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

Landfill airspace assets were not previously recognised. Refer to Note 9.4 for further details.

5.3 Payables

G 5960	(a) Trade and other payables		
	Trade payables	1,899	3,966
	Accrued expenses	1,522	1,243
	Total trade and other payables	3,421	5,209
	(b) Trust funds and deposits		
	Refundable deposits	3,805	2,869
	Fire services levy	19	(7)
	Other refundable deposits	3	2
	Total trust funds and deposits	3,827	2,864

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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G 61	5.4 Interest-bearing liabilities	2019 \$'000	2018 \$'000
	Current		
	Borrowings - secured *	1,023	969
	Borrowings - unsecured	9	8
		<u>1,032</u>	<u>977</u>
	Non-current		
	Borrowings - secured *	15,243	16,267
	Borrowings - unsecured	9	18
		<u>15,252</u>	<u>16,285</u>
	Total	<u>16,284</u>	<u>17,262</u>

* Borrowings are secured by Council's general rates.

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

Not later than one year	1,032	977
Later than one year and not later than five years	7,939	7,960
Later than five years	7,313	8,325
	<u>16,284</u>	<u>17,262</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.

5.5 Other Liabilities

Home Care packages	179	253
	<u>179</u>	<u>253</u>

G 62	5.6 Provisions	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
	2019			
	Balance at beginning of the financial year	6,292	10,141	16,433
	Additional provisions/(reduction in provisions)	3,033	(134)	2,899
	Amounts used	(2,544)	-	(2,544)
	Change in the discounted amount arising because of time and the effect of any change in the discount rate	166	1,436	1,602
	Balance at the end of the financial year	<u>6,947</u>	<u>11,443</u>	<u>18,390</u>
	2018			
	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>

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	2019 \$'000	2018 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,830	1,628
Long service leave	775	633
	<u>2,605</u>	<u>2,261</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	362	304
Long service leave	3,148	2,974
	<u>3,510</u>	<u>3,278</u>
Total current employee provisions	<u>6,115</u>	<u>5,539</u>
Non-current		
Long service leave	832	753
Total non-current employee provisions	<u>832</u>	<u>753</u>
Aggregate carrying amount of employee provisions:		
Current	6,115	5,539
Non-current	832	753
Total aggregate carrying amount of employee provisions	<u>6,947</u>	<u>6,292</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	1.009%	2.112%
- inflation rate	2.500%	2.000%
- settlement period	5.52 years	5.16 years

G 63 **(b) Landfill restoration**

Current	61	-
Non-current	11,382	10,141
	<u>11,443</u>	<u>10,141</u>

G 63

Council is obligated to restore the Anglesea Landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. 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	1.311%	2.581%
- inflation rate	2.210%	2.164%
- final settlement year (estimated completion of Site aftercare)	2057	2057

G 64

5.7 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019:

Bank overdraft	2,300	2,300
Credit card facilities	100	100
Other facilities	16,284	17,262
Total facilities	<u>18,684</u>	<u>19,662</u>
Used facilities	(16,304)	(17,289)
Unused facilities	<u>2,380</u>	<u>2,373</u>

G 65 **5.8 Commitments**
G 66 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.

	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	\$'000	\$'000	\$'000
2019					
Operating					
Garbage collection	3,058	2,471	2,484	-	8,013
Consultancies	130	96	-	-	226
Other	1,234	895	104	-	2,233
Total	4,422	3,462	2,588	-	10,472
Capital					
Construction	1,211	14	-	-	1,225
Other	500	-	-	-	500
Total	1,711	14	-	-	1,725
2018					
Operating					
Garbage collection	3,583	2,517	1,526	1,913	9,539
Consultancies	50	-	-	-	50
Other	130	-	-	-	130
Total	3,763	2,517	1,526	1,913	9,719
Capital					
Construction	1,542	-	-	-	1,542
Other	892	-	-	-	892
Total	2,434	-	-	-	2,434

G 67 **Operating lease commitments**

	2019 \$'000	2018 \$'000
Not later than one year	684	577
Later than one year and not later than five years	773	713
Later than five years	135	201
Total	1,592	1,491

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):

G 68 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.

G 69 **Note 6 Assets we manage**
6.1 Non-current assets classified as held for sale

Cost of acquisition	232	883
Total non-current assets classified as held for sale	232	883

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

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	At Fair Value 1 July 2018 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	At Fair Value 30 June 2019 \$'000
Property	282,526	4,069	2,460	(905)	(3,099)	(2)	(766)	638	284,921
Plant and equipment	5,418	1,793	-	-	(1,495)	(183)	(27)	183	5,689
Infrastructure	471,872	9,195	14,510	14,084	(10,014)	(1)	(1,569)	1,224	499,301
Work in progress	2,879	2,353	-	-	-	-	(50)	(2,276)	2,906
	762,695	17,410	16,970	13,179	(14,608)	(186)	(2,412)	(231)	792,817

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	310	351	-	(278)	383
Plant and equipment	378	321	(50)	(183)	466
Infrastructure	2,191	1,681	-	(1,815)	2,057
Total	2,879	2,353	(50)	(2,276)	2,906

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(a) Property

	Land - specialised	Land - non specialised	Land Under Roads	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 2018	143,872	6,164	53,046	203,082	88,993	10,913	99,906	310	303,298
Accumulated depreciation at 1 July 2018	-	-	-	-	(17,593)	(2,869)	(20,462)	-	(20,462)
	143,872	6,164		203,082	71,400	8,044	79,444	310	282,836
Movements in fair value									
Additions	1,480	-	-	1,480	2,399	190	2,589	351	4,420
Contributions	1,729	-	534	2,263	197	-	197	-	2,460
Revaluation	5,317	231	-	5,548	7,628	1,000	8,628	-	14,176
Disposal	(2)	-	-	(2)	-	-	-	-	(2)
Write-off	(413)	-	-	(413)	(526)	(54)	(580)	-	(993)
Transfers	379	(611)	-	(232)	256	779	1,035	(278)	525
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	8,490	(380)	534	8,110	9,954	1,915	11,869	73	20,586
Movements in accumulated depreciation									
Depreciation	-	-	-	-	(2,741)	(358)	(3,099)	-	(3,099)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Accumulated depreciation of write offs	-	-	-	-	216	11	227	-	227
Revaluation	-	-	-	-	(13,592)	(1,489)	(15,081)	-	(15,081)
Transfers	-	-	-	-	(74)	(91)	(165)	-	(165)
	-	-	-	-	(16,191)	(1,927)	(18,118)	-	(18,118)
At fair value 30 June 2019	152,362	5,784	53,580	211,726	98,947	12,828	111,775	383	323,884
Accumulated depreciation at 30 June 2019	-	-	-	-	(33,784)	(4,796)	(38,580)	-	(38,580)
	152,362	5,784	53,580	211,726	65,163	8,032	73,195	383	285,304

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(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecoms	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	7,793	1,475	3,158	378	12,804
Accumulated depreciation at 1 July 2018	(3,724)	(768)	(2,516)	-	(7,008)
	4,069	707	642	378	5,796
Movements in fair value					
Additions	1,490	-	303	321	2,114
Disposal	(1,145)	-	-	-	(1,145)
Write-off	(136)	-	(23)	(50)	(209)
Transfers	78	-	105	(183)	-
	287	-	385	88	760
Movements in accumulated depreciation					
Depreciation	(1,063)	(153)	(279)	-	(1,495)
Accumulated depreciation of disposals	962	-	-	-	962
Accumulated depreciation of write offs	109	-	23	-	132
	8	(153)	(256)	-	(401)
At fair value 30 June 2019	8,080	1,475	3,543	466	13,564
Accumulated depreciation at 30 June 2019	(3,716)	(921)	(2,772)	-	(7,409)
	4,364	554	771	466	6,155

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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	Waste Management	Work in progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018*	395,274	5,024	30,020	75,834	24,717	15,559	11,888	5,569	2,191	566,076
Accumulated depreciation at 1 July 2018	(42,681)	(1,730)	(7,660)	(22,520)	(8,689)	(5,075)	(1,019)	(2,639)	-	(92,013)
	352,593	3,294	22,360	53,314	16,028	10,484	10,869	2,930	2,191	474,063
Movements in fair value										
Additions	4,468	229	281	280	1,438	925	74	1,500	1,681	10,876
Contributions	7,908	175	2,054	3,590	173	610	-	-	-	14,510
Revaluation	-	-	-	21,469	-	-	-	-	-	21,469
Disposal	-	-	-	(1)	-	-	-	-	-	(1)
Write-off	(1,946)	-	(64)	(50)	(508)	(85)	(16)	-	-	(2,669)
Transfers	180	17	86	9	46	(21)	43	698	(1,815)	(757)
	10,610	421	2,357	25,297	1,149	1,429	101	2,198	(134)	43,428
Movements in accumulated depreciation										
Depreciation	(4,880)	(69)	(535)	(1,238)	(1,682)	(958)	(139)	(513)	-	(10,014)
Revaluation	-	-	-	(7,385)	-	-	-	-	-	(7,385)
Accumulated depreciation of write offs	667	-	45	15	321	37	15	-	-	1,100
Transfers	-	-	-	-	(7)	173	-	-	-	166
	(4,213)	(69)	(490)	(8,608)	(1,368)	(748)	(124)	(513)	-	(16,133)
At fair value 30 June 2019	405,884	5,445	32,377	101,131	25,866	16,988	11,989	7,767	2,057	609,504
Accumulated depreciation at 30 June 2019	(46,894)	(1,799)	(8,150)	(31,128)	(10,057)	(5,823)	(1,143)	(3,152)	-	(108,146)
	358,990	3,646	24,227	70,003	15,809	11,165	10,846	4,615	2,057	501,358

* Refer to Note 9.4 for recognition of previously unrecognised Infrastructure Assets

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G 74 *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.

G 70 *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
	Low Traffic	15 - 18 years	5
Seals	Spray Seal	25 - 30 years	5
	Asphalt	70 years	5
Road Kerb and Channel		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

- G 76 **Land under roads**
 Council recognises land under roads it controls at fair value.
- G 77 **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 above 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.
- G 71 **Valuation of land and buildings**
 Valuation of land were undertaken by a qualified independent valuer, Opteon as at 31 December 2018. 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 valuers, Opteon and Preston Rowe Paterson and componentised costs by Rawlinson's as at 31 December 2018.
- Specialised land is valued at fair value using site values adjusted for engloba (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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	5,784	-	31/12/2018
Specialised land	-	-	152,362	31/12/2018
Land Under Roads	-	-	53,580	30/06/2018
Buildings	-	8,032	65,163	31/03/2019
Total	-	13,816	271,105	

G 71

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 1 July 2018.

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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	358,990	30/06/2017
Bridges	-	-	3,646	30/06/2017
Footpaths and cycleways	-	-	24,227	30/06/2018
Drainage and sewerage	-	-	70,003	1/07/2018
Recreational, leisure and community facilities	-	-	15,809	30/06/2018
Parks, open space and streetscapes	-	-	11,165	30/06/2018
Off street car parks	-	-	10,846	30/06/2017
Waste management	-	-	4,615	
Total	-	-	499,301	

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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 \$0.02 and \$3,113.72 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 \$107 to \$8,577 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 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 10 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.

G 73

	2019 \$'000	2018 \$'000
Reconciliation of specialised land		
Parks and reserves	110,118	126,578
Public use	36,816	8,850
Waste	417	291
Car Parks	5,011	8,153
Total specialised land	152,362	143,872

6.3 Investments in associates, joint arrangements and subsidiaries		2019	2018
		\$'000	\$'000
G 78	<p>(a) Investments in associates</p> <p>Investments in associates accounted for by the equity method are:</p> <ul style="list-style-type: none"> - Geelong Regional Library Corporation 	431	457
<p>Geelong Regional Library Corporation</p> <p><i>Background</i></p> <p>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 3.75% (2018, 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.</p>			
<p>Fair value of Council's investment in Geelong Regional Library Corporation</p>		431	457
<p>Council's share of accumulated surplus/(deficit)</p>			
<p>Council's share of accumulated surplus/(deficit) at start of year</p>		457	457
<p>Reported surplus/(deficit) for year</p>		(26)	-
<p>Council's share of accumulated surplus/(deficit) at end of year</p>		431	457
<p>Movement in carrying value of specific investment</p>			
<p>Carrying value of investment at start of year</p>		457	457
<p>Share of surplus/(deficit) for year</p>		(26)	-
<p>Carrying value of investment at end of year</p>		431	457
G 81	<p>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.</p>		
G 83B	<p>Committees of management</p> <p>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:</p> <ul style="list-style-type: none"> 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 Connewarre Reserve Committee of Management Globe Theatre Committee of Management Anglesea Bike Park 		

		2019	2018
		No.	No.
G 83	Note 7 People and relationships		
	7.1 Council and key management remuneration		
	(a) Related parties		
	<i>Parent entity</i>		
	Surf Coast Shire is the parent entity.		
	<i>Subsidiaries and Associates</i>		
	Interests in associates are detailed in Note 6.3.		
	(b) Key management personnel		
	Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
	Councillors		
	Councillor Rose Hodge - Mayor (07/11/2018 to current)		
	Councillor David Bell - Mayor (01/07/2018 to 07/11/2018)		
	Councillor Clive Goldsworthy		
	Councillor Libby Coker (01/07/2018 to 27/05/2019)		
	Councillor Martin Duke		
	Councillor Carol McGregor (01/07/2018 to 11/06/2019)		
	Councillor Brian McKiernick		
	Councillor Margot Smith		
	Councillor Heather Wellington		
	Key management personnel		
	Chief Executive Officer - Keith Baillie		
	Anne Howard - General Manager Governance & Infrastructure		
	Chris Pike - General Manager Culture & Community		
	Ransce Salan - General Manager Environment & Development		
	Total number of Councillors	9	9
	Total of Chief Executive Officer and other key management personnel	4	4
	Total number of key management personnel	<u>13</u>	<u>13</u>
	(c) Remuneration of key management personnel		
	Total remuneration of key management personnel was as follows:		
	Short-term benefits	1,212	1,161
	Post-employment benefits	85	81
	Long-term benefits	22	20
	Total	<u>1,319</u>	<u>1,262</u>
	The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	\$20,000 - \$29,999	7	7
	\$50,000 - \$59,999	1	1
	\$60,000 - \$69,999	-	1
	\$70,000 - \$79,999	1	-
	\$200,000 - \$209,999	-	1
	\$210,000 - \$219,999	1	1
	\$220,000 - \$229,999	-	1
	\$230,000 - \$239,999	2	-
	\$290,000 - \$299,999	-	1
	\$310,000 - \$319,999	1	-
		<u>13</u>	<u>13</u>

	2019 \$'000	2018 \$'000
(d) Senior officer remuneration		
A senior officer is an officer of Council, other than key management personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$148,000		
The number of Senior Officers are shown below in their relevant income bands:		
Income Range:	2019 No.	2018 No.
Less than \$148,000	1	4
\$148,000 - \$149,999	1	2
\$150,000 - \$159,999	7	-
	9	6
Total Remuneration for the reporting year for Senior Officers included above, amounted to	1,355	593

7.2 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 8 Managing uncertainties

8.1 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.

G 66

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(a) Contingent assets

Operating lease receivables

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

	2019	2018
	\$'000	\$'000
Not later than one year	99	64
Later than one year and not later than five years	291	176
Later than five years	348	356
	<u>738</u>	<u>596</u>

G 84

(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 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$36,188.24.

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.

MAV Liability Mutual Insurance Scheme

Council is a member of MAV's Liability Mutual Insurance Scheme. Council has obligations under the scheme to make additional contributions in an insurance year in the event where the scheme has an overall financial deficit. MAV consider in the very unlikely occurrence of the scheme making a call on members, they do not believe that this would exceed \$2m across all members. The magnitude of the call would be around 10 per cent of the annual contribution made by Council.

(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:

	2019	2018
	\$'000	\$'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.

G 85

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.

G 86

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 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.

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. Council expects that on the transition to the new standard will see the recognition of approximately \$3 million in grants where performance obligations have not yet been met.

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.

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$2,155,697 in lease related assets and \$2,372,626 in lease related liabilities.

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

This standard is expected to apply to certain transactions currently accounted for under 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. Council expects that the transition to the new standard will see the initial recognition of \$289,000 in volunteer services.

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8.3 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.

G 87

(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.

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(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. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. 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 8.1(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.

G 87	<p>(d) Liquidity risk</p> <p>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.</p> <p>To help reduce these risks Council:</p> <ul style="list-style-type: none">- 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. <p>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 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.</p> <p>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.</p> <p>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 5.4.</p> <p>Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.</p>
G 87	<p>(e) Sensitivity disclosure analysis</p> <p>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:</p> <ul style="list-style-type: none">- A parallel shift of + 0.25% and - 0.25% in market interest rates (AUD) from year-end rates of 1.25%. <p>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.</p>
G 87	<p>8.4 Fair value measurement</p> <p><i>Fair value hierarchy</i></p> <p>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.</p> <p>Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 <i>Fair value measurement</i>, 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.</p> <p>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.</p> <p>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:</p> <p>Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities</p> <p>Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and</p> <p>Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.</p> <p>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.</p> <p>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.</p>
G 75	<p><i>Revaluation</i></p> <p>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.</p> <p>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.</p> <p>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.</p>
G 88	<p><i>Impairment of assets</i></p> <p>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.</p>
G 89	<p>8.5 Events occurring after balance date</p> <p>No matters have occurred after balance date that require disclosure in the financial report.</p>

Surf Coast Shire
2018/2019 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 9 Other matters

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9.1 Reserves

(a) Asset revaluation reserves

2019

Property

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
Land	102,773	5,548	108,321
Buildings	35,776	(6,327)	29,449
	138,549	(779)	137,770

Infrastructure

Furniture and equipment	32	-	32
Roads	134,970	-	134,970
Bridges	2,667	-	2,667
Footpaths and cycleways	9,988	-	9,988
Drainage and sewerage	15,678	14,084	29,762
Recreational, leisure and community facilities	7,871	-	7,871
Parks, open space and streetscapes	2,371	-	2,371
Offstreet car parks	2,360	-	2,360
Library	125	(125)	-
Waste management	-	1,245	1,245
	176,062	15,204	191,266

Total asset revaluation reserves

	314,611	14,425	329,036
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2018

Property

Land	76,574	26,199	102,773
Buildings	35,776	-	35,776
	112,350	26,199	138,549

Infrastructure

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
	168,850	7,212	176,062

Total asset revaluation reserves

	281,200	33,411	314,611
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The asset revaluation reserve is used to record the fair value movement of Council's assets over time.

Surf Coast Shire
2018/2019 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	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) Other reserves				
2019				
Allocated				
Plant replacement	366	994	(1,355)	5
Open space	1,550	1,177	(395)	2,332
Main drainage	210	-	-	210
Home care packages	253	-	(74)	179
Developer contributions	3,251	2,885	(3,846)	2,290
Airey's Inlet aged care units	303	10	-	313
Waste	6,401	3,796	(947)	9,250
Gravel pits	1,943	675	-	2,618
Defined benefits superannuation	974	100	-	1,074
Carried forward capital works	12,798	22,047	(12,798)	22,047
Carried forward operational projects	1,350	1,460	(1,350)	1,460
Adopted strategy implementation	5,836	2,756	(3,989)	4,603
Asset renewal	985	7,285	(7,006)	1,264
Developer contributions council allocation	1,470	3,882	(3,550)	1,802
Winchelsea infrastructure plan	154	495	-	649
Accumulated unallocated cash	5,018	1,851	(5,784)	1,085
Sub-total Allocated Reserves	42,862	49,413	(41,094)	51,181
Total other reserves	42,862	49,413	(41,094)	51,181
2018				
Allocated				
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 operational projects	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
Sub-total Allocated Reserves	32,805	41,021	(30,964)	42,862
Total other reserves	32,805	41,021	(30,964)	42,862

(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.

Reserve	Purpose
Plant replacement reserve	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.
Open Space reserve	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.
Main drainage reserve	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.
Airey's Inlet units reserve	The funding source for the maintenance of social housing for disadvantaged low income earners. Four social housing units currently exist in Airey's Inlet. Council has an obligation to hold these funds under the Housing Act 1983.
Developer contributions reserve	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.
Waste reserve	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.
Gravel pits reserve	To provide funding for road improvements for Council roads.
Defined benefits reserve	To reserve funds for future Defined Benefits Superannuation funding calls arising from shortfalls in the Local Government Defined Superannuation Benefits Fund.
Carried forward capital works reserve	To act as a mechanism to carry over funding for capital works that are still in progress at year end.
Carried forward operational projects reserve	To act as a mechanism to carry over funding for new initiatives that are still in progress at year end.
Adopted strategy reserve	To provide funding for projects in line with approved strategies adopted by Council and is funded from operations or grants received.
Asset renewal reserve	To provide funding based on the Asset Renewal Funding Strategy.
Developer contributions Council allocation reserve	To provide Council allocated funding based on the Torquay/Jan Juc Developer Plan.
Home care packages reserve	To meet Council's obligation under Commonwealth legislation to carry any unspent individual client funds into future periods.
Accumulated unallocated cash reserve	To separately identify Council's Unallocated Cash.
Developer contributions Council allocation	To provide Council allocated funding based on the Winchelsea Infrastructure needs.

	2019 \$'000	2018 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	20,935	27,864
Depreciation and amortisation	18,588	12,729
Profit/(loss) on disposal of property, infrastructure, plant and equipment	16	240
Assets Written off	2,412	2,717
Finance costs	1,089	1,035
Contributions - Non-monetary assets	(16,970)	(18,426)
Share of net profits/(losses) of Geelong Regional Library Corporation	25	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(549)	(735)
(Increase)/decrease in prepayments	10	(75)
(Increase)/decrease in accrued income	(394)	7
Increase/(decrease) in trade and other payables	(1,788)	(1,415)
Increase/(decrease) in other liabilities	(74)	116
(Increase)/decrease in inventories	(57)	18
Increase/(decrease) in provisions	1,957	(1,243)
Increase/(decrease) in trust funds and deposits	963	213
Net cash provided by/(used in) operating activities	26,163	23,045

9.3 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 Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories 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 2019, this was 9.5% as required under Superannuation Guarantee (SG) 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, as 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 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

Net investment returns	6.0% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the estimated VBI at June 2019 was 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim 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 2018 interim 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 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the SG contribution rate.

On the basis of the results of the 2018 interim 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 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). 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.

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

		2018		2017
		\$m		\$m
A VBI surplus	\$	131.9	\$	69.8
A total service liability surplus	\$	218.3	\$	193.5
A discounted accrued benefits surplus	\$	249.1	\$	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

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9.4 Correction of a prior year error

Council identified one prior period error. This is explained below. Council have adjusted comparative numbers for the error and restated each of the effected financial statement errors for the 2018 financial year as shown in the tables below.

Recognition of land fill airspace and waste management assets

During the 2018-19 financial year, Council identified that landfill airspace, waste management and infrastructure assets had not been previously recognised. The error understated landfill airspace assets by \$31,363,000, waste management assets by \$2,930,000 and infrastructure assets by \$101,000 for the year ended 30 June 2018. The Financial Report has not been adjusted for amortisation for the 2018 year as it is not material.

Impact of correction of error on the Balance Sheet

	2019 \$'000	2018 \$'000	2018 \$'000
			(restated) (previously presented)
Property, infrastructure, plant and equipment	792,817	762,694	759,663
Intangible assets	28,628	31,363	-
Total non-current assets	821,942	794,624	760,230
Total assets	883,154	847,714	813,320
Net assets	841,053	805,693	771,299
Accumulated Surplus	460,836	448,220	413,826
Total Equity	841,053	805,693	771,299

Impact of correction of error on the Statement of changes to equity

	2019 \$'000	2018 \$'000	2018 \$'000
			(restated) (previously presented)
Balance at the beginning of the financial year	805,693	694,922	660,528
Balance at the end of the financial year	841,053	805,693	771,299

1.2 Surf Coast Shire Performance Statement 2018-19

Author's Title: Coordinator Governance & Corporate Planning **General Manager:** Stevan Muskett

Department: Governance & Risk **File No:** F17/970-2

Division: Governance & Infrastructure **Trim No:** IC19/1001

Appendix:

1. Surf Coast Shire Council Performance Statement 2018-19 (D19/86364)

Officer Direct or Indirect Conflict of Interest:

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

Yes

No

Status:

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

Yes

No

Reason: Nil

Reason: Nil

Purpose

The purpose of this report is to present the 2018-19 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 5 September 2019. The Committee recommended that Council adopt in principle the 2018-19 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 2019.

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 Clive Goldsworthy and Cr Brian McKitterick to sign the 2018-19 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989
3. Requires the 2018-19 Performance Statement be referred back to Council if there are significant changes prior to signing.
4. Requires that any minor changes to the 2018-19 Performance Statement be reviewed by the two authorised councillors prior to signing.

1.2 Surf Coast Shire Performance Statement 2018-19

Report

Background

The Local Government Act 1989 (the Act) requires the 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 5 September 2019. 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 2019.

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 2018-19 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 2018-19 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
9. Require the 2018-19 Performance Statement be referred back to Council if there are significant changes prior to signing.
10. Require that any minor changes to the 2018-19 Performance Statement be reviewed by the two authorised councillors prior to signing.”

The Committee considered the 2018-19 Performance Statement at its meeting held on 5 September 2019. 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 2018-19 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 2019.

1.2 Surf Coast Shire Performance Statement 2018-19

The minutes of the committee meeting held on 5 September 2019 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's adoption of the statements in principle, and to raise any matters of concern.

Social Considerations

Not applicable.

Community Engagement

Council's 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 Surf Coast Shire Performance Statement 2018-19

APPENDIX 1 SURF COAST SHIRE COUNCIL PERFORMANCE STATEMENT 2018-19

Surf Coast Shire Council

Performance Statement

For the year ended 30 June 2019

Performance Statement

For the year ended 30 June 2019

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 32,251 in 2018.

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 2019 was 2.27%. 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.

Sustainable Capacity Indicators

For the year ended 30 June 2019

<i>Indicator/measure</i>	Results				Material Variations
	2016	2017	2018	2019	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,124.43	\$2,164.33	\$2,253.61	\$2,525.44	The increase in Council's expenses per head is mainly due to amortisation of assets \$4m, where Council recognised intangible assets (landfill airspace) for the first time during the 2018-19 financial year. There was also increase of \$2m in depreciation and higher employee costs \$2.8m. The population increased by 927 residents to 32,251.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$12,078.85	\$12,763.54	\$17,768.52	\$18,017.77	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	26.05	29.08	29.66	30.04	
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,866.14	\$1,821.58	\$1,928.11	\$1,980.93	

<i>Indicator/measure</i>	Results				Material Variations
	2016	2017	2018	2019	
Recurrent grants					
<i>Recurrent grants per head of municipal population</i>	\$263.85	\$391.69	\$321.48	\$245.76	Council's recurrent grants have reduced by \$2.1m in 2018/19 mainly due to Council electing to receive their Roads to Recovery funding in the prior year. The population increased by 927 residents to 32,251.
[Recurrent grants / Municipal population]					
Disadvantage					
<i>Relative socio-economic disadvantage</i>	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.
[Index of Relative Socio-economic Disadvantage by decile]					
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 2019

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
Aquatic facilities					
Utilisation	0.24	0.23	0.26	0.30	Council operates an outdoor pool at Winchelsea on a seasonal basis. Utilisation is influenced by fluctuations in weather conditions. Attendance was strong in the 2018-19 summer season due to good weather, a well presented facility and effective programming.
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					
<i>Animal management prosecutions</i>	0.00	0.00	0.00	0.00	One animal management matter was referred to and later withdrawn at Court without prosecution.
[Number of successful animal management prosecutions]					
Food safety					
Health and safety					
<i>Critical and major non-compliance notifications</i>	98.39%	99.37%	98.84%	95.00%	All required follow-up inspections completed. Two food premises had closed and no follow-up inspection was able to be conducted, and 2 food premises had administrative non-compliances only requiring information to be provided to Council to comply i.e. evidence of food safety training completed.
[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance]					

<i>Service/indicator/measure</i>	Results				Material Variations
	2016	2017	2018	2019	
notifications and major non-compliance notifications about a food premises] x100					
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i>	50.00	53.00	52.00	54.00	When compared to 2018 results the 2019 survey results show consistent levels of satisfaction in both Torquay and Winchelsea wards, and higher levels of satisfaction in both the Anglesea and Lorne Wards and in the following demographic groupings: non-resident ratepayers, men and in the following age groups: 18-34 and 35-49.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Home and community care					
Participation					
<i>Participation in HACC service</i>	26.99%	Reporting Ceased 1 July 2016	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					
Participation					
<i>Participation in HACC service by CALD people</i>		Reporting Ceased 1 July 2016	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					

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
target population in relation to CALD people for HACC services] x100					
Libraries					Council's libraries are operated by the Geelong Regional Library Corporation (GRLC), which includes members from across the Greater Geelong region.
Participation					
<i>Active library members</i>	19.88%	19.43%	18.77%	18.78%	Across the region, the average active library members represent 41% of the population.
[Number of active library members / Municipal population] x100					This is a definite improvement opportunity for Council, and we will work together with the GRLC to improve this result.
Maternal and child health					
Participation					
<i>Participation in the MCH service</i>	74.77%	78.42%	77.40%	77.70%	There was a small increase in overall participation rates on last year's result. When broken down into specific ages, all Key Ages and Stages (KAS) participation rates between 4 weeks and 2 years have risen by between 3% and 12%. This is largely due to better follow up of clients and cross promotion with other early year's services.
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
Participation					
<i>Participation in the MCH service by Aboriginal children</i>	68.00%	81.25%	94.12%	90.91%	Results are skewed due to small data sample i.e. only eleven active clients. Ten clients are fully up to date with Key Age and Stage (KAS) assessments, 1 unable to be contacted (has likely moved from area).
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of					

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
Aboriginal children enrolled in the MCH service] x100					
Roads					
Satisfaction					
<i>Satisfaction with sealed local roads</i>	61.00	61.00	59.00	60.00	The rate has improved slightly from last year, but has been at a similar rating for the past three years. Additional funding being provided on both state a local roads may improve this rating in the future.
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i>	76.47%	80.95%	50.00%	46.15%	During 2018-19 Council received a total of 622 planning applications. Of these 13 matters were referred to VCAT for review. This is the lowest number over the last four years. Of the 13 decisions made by Council, 7 decisions were set-aside (overturned). The reasons for these matters being set aside were varied. Due to the variable nature of matters it is difficult to use percentages reported as a reflection of Council's performance.
[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					
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	54.26%	54.76%	55.06%	52.97%	Temporary closure of our contracted recycling facility resulted in recyclables going to landfill, recycling recovery tonnages in 2018-19 were the lowest since 2010-11. Green waste recovery rate

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					lowest since its introduction in 2008.

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*.

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2016	2017	2018	2019	2020	2021	2022	2023	
									unrestricted cash ratio would reflect +161% instead of -171%.
Obligations									
Asset renewal									
<i>Asset renewal compared to depreciation</i>	52.39%	43.71%	37.25%	43.44%	63.07%	63.18%	54.16%	54.91%	Asset renewal increased by \$1.6m in 2018/19 to \$6.3m, with \$1m made up of heavy plant replacement (including a grader and street sweeper), and \$0.6m on renewal works for Forest and Grays Roads.
[Asset renewal expenses / Asset depreciation] x100									Council has an adopted Asset Renewal Funding Strategy that is not based on depreciation but is based on a 20 year forecast of renewal demand. The asset renewal demand is incorporated into the Long Term Financial Plan through a smooth allocation and the model is updated annually.
									And therefore, this indicator, based on depreciation, is not a good indicator of Councils asset renewal commitment.
									Council's asset base is in relatively new and in generally good condition, and our

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2016	2017	2018	2019	2020	2021	2022	2023	
Loans and borrowings									renewal backlog is very low compared to other Councils.
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	34.10%	31.34%	34.78%	31.14%	34.10%	30.41%	26.76%	23.22%	Council has reduced overall borrowings \$1m in 2018/19, while increasing total rate revenue \$2.6m.
Loans and borrowings									
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	3.74%	3.58%	3.44%	3.95%	3.80%	4.41%	4.21%	4.04%	Council has increased repayments on borrowings from \$675k to \$978k, while increase total rate revenue \$2.6m.
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	51.22%	46.72%	45.18%	42.99%	43.26%	38.24%	30.36%	27.03%	No comment provided as there is no material variation.
Operating position									The decrease in Council's adjusted underlying position is

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 2019

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 25 June 2019 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.

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.

John Brockway CPA

Principal Accounting Officer

Dated: 10 September 2019

In our opinion, the accompanying performance statement of the *Surf Coast Shire Council* for the year ended 30 June 2019 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.

Cr Clive Goldsworthy

Councillor

Dated: 10 September 2019

Cr Brian McKiterick

Councillor

Dated: 10 September 2019

Anne Howard

Acting Chief Executive Officer

Dated: *10 September 2019*
